

The Pistachio King

A man with white hair and glasses, wearing a dark blue suit and a black turtleneck, stands in front of a large painting. The painting depicts a woman with long blonde hair, holding a long spear and a small object. She is standing in front of a large, blue, geometric structure with a red roof. The background of the painting is a dark, rocky landscape with a bare tree and a small animal in the distance. The man is holding the hand of a woman standing next to him.

They own this painting,
*Muse in a Theatrical
Landscape*,
by Hermann Albert

and the POM Queen

A woman with short, dark, curly hair, wearing a red blazer and a red skirt, stands next to the man. She is holding his hand. The painting behind them is a surreal landscape with a woman holding a spear and a small object, standing in front of a large, blue, geometric structure with a red roof. The background of the painting is a dark, rocky landscape with a bare tree and a small animal in the distance.

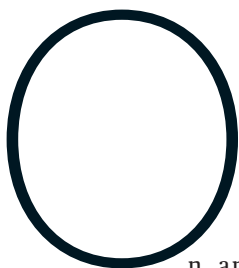
Lynda Resnick built POM Wonderful
into a \$100+ million business

Stewart Resnick is the largest
pistachio grower in the U.S.



**Why is everybody
suing such a nice,
generous couple?**

**By Susan Berfield
Photographs by Bryce Duffy**



In an unexpectedly rainy October day in Los Angeles, Stewart Resnick looks out the window of a third-floor conference room and shrugs. It's midway through California's biggest-ever pistachio harvest and the rain is yet another reminder, should anyone need it, of how important water is to his business. He helps himself to a half a vegetable wrap and a bottle of Fiji Water—one of the four big consumer brands Resnick owns—and takes his place at the head of the table, where senior executives of his private company, Roll International, have gathered to discuss how to sell 300 million pounds of pistachios.

Resnick, 72, is short, trim, and tanned, dressed in jeans and a blue-and-white striped shirt. He and his wife and business partner, Lynda, are quintessential Beverly Hills billionaires, with a sumptuous mansion and a new \$54 million pavilion named after them at the Los Angeles County Museum of Art. They diverge from the Beverly Hills norm, however, in this respect: The source of their wealth is one of the biggest farms in California's agricultural heartland—188 square miles of land, a holding four times the size of San Francisco—aptly named Paramount. There they grow oranges, almonds, pistachios, and pomegranates; their Pom Wonderful juice launched the pomegranate superfood craze.

Dave Szefflin, who manages Paramount's processing plant, throws a bag of raw pistachios on the table and sits down heavily. The plant has been operating 24 hours a day for the past 21 days.

"Well, the growers should be happy," says Resnick.

"The growers should be very happy," says Szefflin.

"They should be beyond happy—ecstatic," says Resnick.

Szefflin tells him a grower they both know stopped by the plant to say just that. "He said, 'The sound of money is when a harvester goes next to a tree in an orchard with 7,000 pounds of pistachios and shakes it. That sound, when the pistachios hit the catch frame, that's the sound of money.'"

Everyone in the room knows that sound.

"It's like a Vegas slot machine," says one executive.

"Record prices and record deals," says Szefflin.

"It's good for Stewart. He's got both," says another.

The giddy, money-really-does-grow-on-trees attitude in the conference room belies trouble. In the past few months the Resnicks have been hit with two major legal challenges that have exposed them to unflattering scrutiny. There is a floor at Roll headquarters just for the lawyers preparing to fight on behalf of the Resnicks, in courts of all kinds and for many years to come.

The first suit, filed by several environmental groups and water agencies, threatens a crucial element of Paramount's business: its sizable stake in an enormous underground water bank in the San Joaquin Valley. The second, brought by the Federal Trade Commission, accuses the Resnicks of making false health claims about Pom Wonderful.

Stewart calls the environmentalists' lawsuit "a nuisance" and the FTC's actions "foolish." But if the allegations are proven, they may affect businesses worth \$2 billion. Already, they have begun to undermine an image of beneficence that Lynda, in particular, has worked hard to cultivate: The Resnicks are generous philanthropists and boast that Roll's products either "are good for you or make you feel good."

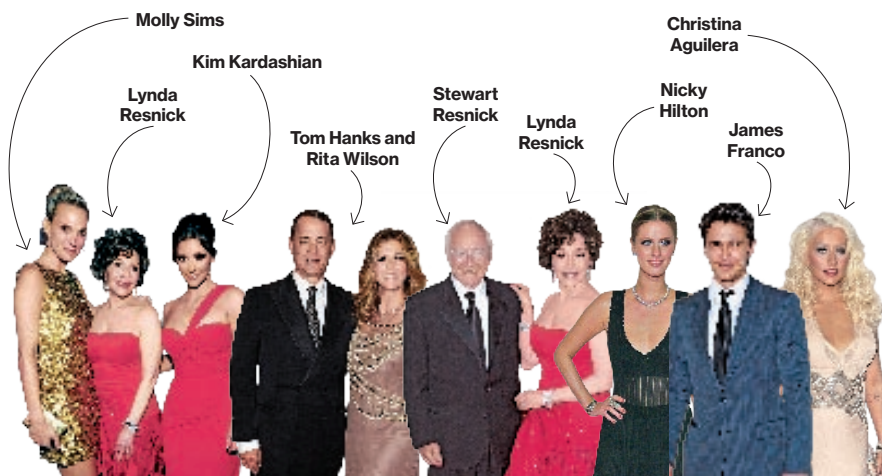
All of which may help explain why Stewart Resnick agreed to give *Bloomberg Businessweek* a rare look inside Roll International, which includes Fiji Water, the bottled water shipped from the remote South Pacific island; Teleflora, the flower delivery service; and Suterra, an environmentally sensitive pesticide. To hear Resnick

tell it, though, he's not concerned about public perception. "If I think I'm right, I don't care what people say. It's their problem," he says. "Lynda can't take negativity. I told her, 'There's just one thing in life you have to understand, and then nothing will bother you: If you're successful, no good deed goes unpunished.'"

The Resnicks are the biggest citrus, pomegranate, almond, and pistachio growers in the U.S. They are also processors, buying from other farms, and their Paramount plant, set in the fields of the San Joaquin Valley, 140 miles northeast of Los Angeles, cleans, roasts, and packages 60 percent of the domestic pistachio crop, or about 30 percent of the pistachios in the world. With a commanding share of the \$2 billion global market and the advantage of being both a buyer and a seller, Resnick puts enormous upward pressure on the price of pistachios.

Pistachios require a modest but regular supply of water—a commodity sometimes so hard to come by in the Central Valley that it can dominate all other discussions. Season after season, Resnick has outwitted the weather, largely because of Paramount's water bank, which is the biggest in America, if not the world. It occupies 32 square miles in Kern County, making it larger than Hollywood and Beverly Hills combined; it extends across the main highways that run through the San Joaquin Valley and alongside the California aqueduct. The bank itself is a network of 70 man-made ponds, a six-mile-long canal, and 33 miles of pipeline that captures rain and snowmelt from the Sierra Nevada range and can be fed by water purchased from the federal and state governments as well as local sources. (In very wet years, the bank can take water from the Kern River,

Opening night at the Resnick Pavilion in L.A.





The farm, 188 square miles,
grows pistachios, almonds,
pomegranates, and citrus fruit

Lost Hills, Calif.

too, which runs through it.) Within days the water percolates through a layer of sand into an aquifer; 85 wells pump out water when it's needed.

Water banks are eagerly endorsed as a public resource but are increasingly divisive as a business proposition. In California, water means power and wealth: It is dammed and diverted and transported hundreds of miles to let great cities (and great pistachio orchards) blossom in bone-dry places. As a changing climate makes the American West increasingly arid, Resnick's water bank may someday be more important than his orchards. "The value of the Kern Water Bank will only increase as uncertainty over our water situation grows," says Peter Gleick, co-founder of the Pacific Institute, a nonpartisan research organization in Oakland.

In 2007, before three dry years, the bank held a total of 1.5 million acre-feet of water, or 490 billion gallons, an astonishing amount in a county that gets just six inches of rain in a typical year. But you could drive right over parts of the bank and not know it. The land is yellow and brown, covered in scrub brush, dry grass, mesquite, tumbleweed, and sage.

On a recent morning, the sound of rushing water booms in the ordinarily quiet landscape. One member of the bank is depositing 10,000 acre-feet of wa-

ter—the first time any of them has made a deposit in three years—and it is being transported through the Kern Water Bank Canal into some of the ponds. As they fill, herons, coots, egrets, even a pheasant or two gather.

The Kern Water Bank has six members in all, but Paramount is the biggest, with a 52 percent stake. The five others are water districts and agencies serving farmers and homeowners. Each member maintains an underground water account, storing water in wet years, drawing it down in dry ones, and selling it whenever they choose. "We're like Bank of America," says Jonathan Parker, the general manager. "We hold the money and give it back to the participants when they want it." Except almost anybody can open an account at Bank of America; only the members can deposit water in the Kern Water Bank. Resnick compares it to insurance. "It lets us do things without worrying about the ups and downs." Some of those things include nearly doubling the number of Paramount's pistachio trees.

Owning the water bank has other advantages, too. During the wet years from 2000 to 2007, California put in place a water trading program that was supposed to satisfy environmentalists trying to reduce pumping to protect smelt and salmon as well as farmers wanting water

for irrigation. The state sold water from the Sacramento-San Joaquin River Delta to farmers at very good prices, and Paramount bought and stored billions of gallons. "You just had to ask for how much you wanted," says Jonas Minton, who worked for the Water Resources Dept. at the time and is now an adviser to the Planning and Conservation League, an environmental group that earlier sued and settled with the water bank. Then the state periodically bought back water, at much higher prices. The deal was open to anyone, but not everyone had water to sell. "[Paramount was] the single largest beneficiary of the scheme," earning tens of millions of dollars, and quite possibly more, Minton says. William Phillimore, who has overseen Paramount's water program since the late 1980s, says the company was "happy to support an effort that was intended to help the environment" and that its water "was among the least expensive" available to the state.

A lawsuit brought in July by three environmental groups and two water agencies claims that in an era of growing scarcity, such a tremendous resource should not be privately owned. They are challenging a broad set of policies and decisions made by California's Water Resources Dept. in 1994, one of which was the transfer of the Kern Water Bank

The bank is bigger than Beverly Hills and Hollywood combined

from state ownership to local groups led by Paramount. Back then, Paramount and other agricultural water users in Kern County were negotiating with the state for more water, claiming urban areas had been given undue preference during the drought of 1991. “We managed to get through the year, but it took a lot of hard work,” says Phillimore. “We didn’t want to go through that again. That’s when we first thought of acquiring what the state was trying to develop. They were generally screwing it up ... and they wanted to get rid of it. We were kind enough to take it off their hands.”

State officials turned over the water bank—which had cost about \$74 million to develop but was not yet in use—to the Kern County Water Agency, which in 1995 passed it to the group that operates the bank on behalf of Paramount and others. In exchange, the new members of the bank gave up their claim to state water allocations, which California may or may not have been able to deliver. Resnick says those rights could be worth \$200 million today and that the new owners spent \$35 million to make the bank operational. “We paid for it, we built the infrastructure. We took a big risk,” he adds.

“Paramount and local water groups have been ruling the roost for a long time. They’ve divided up the spoils,” says Adam Keats, a lawyer for the Center for Biological Diversity, the leader of the group suing to return control of the water bank to California. “They have their own philosophy and theory about how the world should work, which involves them getting very rich on our resources,” he says.

There are other lawsuits, too, demanding more accountability from the water bank. A suit brought by a rival processor, Ali Amin of Primex Farms, accuses Paramount of selling water cheaply, though profitably, to lure away a grower crucial to his business. The other, filed by a water storage district that lies directly south of the water bank, blames the heavy pumping out of the aquifer during the past three years of drought for lowering the water table and drying up the wells of its residents. Phillimore, who is also chairman of the Kern Water Bank Authority (which operates the bank), says it’s the district’s own mismanagement that caused the bank’s neighbors to run short of water.

Someone else might tread lightly here, realizing that whatever the merit of each specific charge, together they are symbolically powerful. Not Resnick. Over lunch in

The Kern Water Bank in the San Joaquin Valley



The aquifer can hold 490 billion gallons of water

the Orchard, Roll’s new light- and art-filled cafeteria, he says of Amin, whose name he won’t even mention, “He wanted to be a major player and he continues to have a lot of animosity and he’ll never change.” And the environmentalists’ lawsuit? “They don’t know what they’re talking about,” he says as he tucks into a grilled salmon salad. “The ones who are complaining are saying, ‘You have the water and we want the water.’ Well, that’s great. There are guys in Beverly Hills who have land and I want that land. Maybe they bought it for \$10,000 and now it’s worth a million and I’d like some, give it to me.”

What would happen to Paramount if the environmentalists were to prevail and it loses the water bank, the war chest it has deployed to such great effect for the past 15 years? “I don’t know how we could lose it,” Resnick says. “We bought it. We own it.” Without a reasonably priced supply of water, of course, Resnick could find his domination of the pistachio market compromised.

When a metal shaker clamps on to a pistachio tree, the ground shakes. There’s a draft of air, and in one violent burst close to 150 pounds of nuts come flying off the branches into a huge catcher. The whole thing lasts five seconds. This year, Paramount has had 100 of these machines operating day and night for eight weeks.

“It’s hard to believe those fields. When you fly over the west side [of the Valley], as far you can see it’s basically all our property,” says Resnick, who sometimes enjoys the view from his own plane. The orchards lie about 60 miles north of the water bank. “I first bought some land in

the late 1970s as a hedge against inflation,” he says. It could have been a suburban office park for all he cared. “I thought I’d buy a piece of land for my kids, and hopefully it would go up in value.” (The Resnicks have five children from previous marriages, but none together.)

Stewart grew up in New Jersey and came west with his family during California’s golden age in the 1950s. He was at UCLA when his father lost everything. “He was a very smart guy, but he was an alcoholic and a compulsive gambler,” says Resnick. “Other than that, he didn’t have any vices.” He laughs. “My father was a great example of what not to do, quite honestly. He had been middle-class, he had a local bar, and then he was poor. I realized I didn’t want to go backwards.” Resnick started his first business, a janitorial services company, while in law school and sold it in 1969.

Soon after, he married Lynda, his second wife. They met when she made an advertising pitch for a small business he had invested in. She had grown up a child of privilege on the East Coast; her father later moved the family to Los Angeles and achieved some fame as the producer of the cult classic *The Blob*. Lynda had been on television as a kid and considered becoming an artist, but instead started her own ad agency at age 19. As she likes to say of her first encounter with Stewart, “I never got the account. But I sure got the business.”

The Resnicks began buying companies, starting with Teleflora, which they built into the nation’s largest flower delivery service and then, in 1985, the Franklin Mint, purveyor of commemorative coins and other kitsch. Both were

good matches for Lynda's marketing skills. She famously paid \$211,000 for Jackie Kennedy's fake pearls, and then the Mint went on to sell \$26 million worth of replicas. More notoriously, in 1998 the Mint was sued by The Diana, Princess of Wales Memorial Fund for selling unauthorized dolls; the Mint won and then accused the Fund's lawyers of malicious prosecution. The case is still in the courts. Meanwhile, the Resnicks sold the Mint in 2006, after eBay had begun taking its business away.

In the mid-1980s, they expanded their land holdings significantly, and cheaply, by buying orchards that Superior and Getty Oil were unloading. Now they had oranges, pomegranates, almonds, and pistachios. Lots and lots of pistachios. "We had enough that we could be the market leader," Resnick says. "Our intent was always to be the leader."

California and Iran are the two major pistachio producers in the world. In Iran, farmers have been planting the trees, which take nearly six years to produce a commercial crop, for centuries. In California, they had been doing so on a small scale for just a few decades. Resnick saw an unlikely opportunity: a relatively new American industry that he could shape into a global competitor.

One of Paramount's strategies is to maximize its profits as a grower even if it means minimizing its profits as a processor. That has changed the economics of the Valley, making it better for the farmers and much worse for rival processors such as Amin. As Paramount has proven its ability to sell more pistachios at higher prices, farmers have been growing more. This year, in part because Iran is recovering from a drought, California is likely to be the world's top producer.

An even bigger Paramount in an even bigger industry is an unsettling prospect for some in the Valley. Resnick calls them the "diehards"; they are the ones who are still angry that he killed their cooperative three years ago. As he talks about those days his voice hardens. He's agitated, as if he still can't believe how he was treated. "It was one man, one vote," he says. "A person with 20 acres had the same vote

as we had with 30,000 acres." He suffered other perceived injustices. "The head of the co-op, in the 10 years we were in it, she came down to visit me once."

Paramount filed a lawsuit against the co-op, claiming it was violating Resnick's freedom of speech. The legal fight distracted the co-op and drained its resources, and when a routine vote came up, the members decided to disband. Resnick is blunt: "The commission was wasting my money and wouldn't change. So eventually we eliminated it and went on our own, and it's really much better. ... You cannot run a business democratically."

There are other things the Resnicks are doing on their own now, too, most of which farmers don't usually try. Lynda and the Paramount staff turned their pistachios into a boutique product with a brand name, Wonderful, a premium price, and an aggressive advertising campaign called Get Crackin'. Last year, Levi Johnston, the on-again, off-again member of Sarah Palin's clan, appeared in one of the television spots. A dominatrix starred in another. Sales nearly doubled afterward.

Paramount also cut out the middlemen that stood between it and the supermarkets that sell its Wonderful pistachios. Now, Paramount's merchandisers arrive at Krogers and Safeways and Supervalu around the country in Toyota Priuses emblazoned with the Get Crackin' logo and set up their own promotional stands right in the stores. "We've learned that if anything is important enough, we're better off doing it ourselves," Resnick says. Lynda puts it more brightly: "What we're saying is: 'The Resnicks planted these trees, grew these trees, loved these trees, processed their nuts, and sent them to you.' We're a mom-and-pop operation." Really what they've done is build a farming empire by bringing together two parts of California that are as distinct in psychology as they are in geography: Hollywood and the heartland.

Lynda, who declines to disclose her age, is petite and formidable, with a brassy voice and a stand-up comic's sense of timing. She is sitting on a silk couch in

the music room at Sunset House, her 25,000-square-foot beaux arts mansion. It is a place of regal proportions—"Lynda says we're too short to live here," Stewart jokes—and grand gestures. The music room is glazed in a shade of blue that complements the sash in an 18th century French painting by François Boucher, *Leda and the Swan*, which usually hangs over the fireplace. The dining room seats 22; the foyer can hold 100. At one end of the drawing room sits a larger-than-life-size marble sculpture of Napoleon. The grounds are expansive, with a lush lawn and sculptures of sheep on one side, a pool and "victory garden" on the other. They've lived here for 34 years. "It's not home, but it's much," she and Stewart like to joke.

Selected pieces from their Old Masters art collection, including a portrait of a young Marie Antoinette, are on display at LACMA's Lynda and Stewart Resnick Exhibition Pavilion in a show titled "Eye for the Sensual." In the week preceding the opening, Lynda gave several tours, saying of Marie Antoinette, "A great deal of her bad press was manufactured by her enemies. She needed a better publicist. And she certainly needed a stronger husband." Tom Hanks and James Franco were among the 1,000 people who attended the fundraiser honoring the Resnicks. Christina Aguilera performed.

That was Saturday night. On Monday morning, Sept. 27, the Federal Trade Commission went public with its complaint against the Resnicks. After failing to come to terms over a settlement, the FTC sued them both, as well as the president of Pom Wonderful, for making deceptive claims about the health benefits of pomegranates. The allegations cut to the core of the Resnicks' business strategy and identity: If you've consumed a pomegranate martini or frozen yogurt lately, or think pomegranate juice is good for your heart, or will help with prostate cancer or even erectile dysfunction, it's probably because of Lynda. She read the lore about the pomegranate's supposed powers. She spent \$34 million on dozens of research projects and clinical trials to try to prove them. She fashioned an entire



marketing strategy—and public persona—based on the assumption that she had proof. She wrote a book, touted as her “secrets to marketing just about anything,” and titled it *Rubies in the Orchard*. She calls herself the Pom Queen.

In its 25-page complaint, the FTC highlights some of the more brash ads Resnick has run: “Drink to prostate health. Sometimes, good medicine can taste great,” began one in *Prevention* magazine; “I’m off to save prostates! Man by man, gland by gland...,” read another in *Men’s Fitness*. Lynda is quoted on Martha Stewart’s show saying, “It is the magic elixir of our age and of all ages.” In an interview with *Newsweek*, she winked at a young reporter and told him pomegranate juice is 40 percent as effective as Viagra. “Not that you need it. But—couldn’t hoit!”

Lynda may have made the pomegranate juice market, but she didn’t have it to herself for long. All of the big juice companies have come out with pomegranate drinks. Pom Wonderful had sales of \$165 million in 2006, although the Resnicks say it has never made money for them. They did not disclose more specific numbers. Their fresh pomegranates do: They expect to sell 3 million cases this year. The Resnicks claim that many of these other juices, priced lower than Pom, don’t have much pomegranate in them. They’ve sued Coca-Cola (which owns Minute Maid), Pepsi (which owns Tropicana), Welch’s, and Ocean Spray for false advertising. Coca-Cola won its case on summary judgment, though Pom is appealing. A jury found that Welch’s deceived buyers but didn’t award Pom damages; Pom is appealing that case, too. The Tropicana trial is under way. Lynda suggests the FTC is too close to the big beverage companies and went after the Resnicks in retaliation. “What’s motivating them? Is it our competitors, who have all these lobbyists there?” she asks. Pom, she says, doesn’t have lobbyists.

The case against the Resnicks will be heard by an FTC administrative law judge in May; the couple expect to appeal to a federal court after that. They have already filed their own suit against the FTC, claiming that preventing them from publicizing the results of their studies violates their right to free speech. “We are consumed with doing good,” says Lynda. “That’s why this Pom stuff is so ridiculous. Please. We are fruit. Hello? Why do we need thousands of people in a 20-year trial for fruit? They do it for drugs because drugs kill people, or potentially harm them.”

Lynda Resnick

“We are consumed
with doing good.
That’s why this POM stuff
is so ridiculous. Please.
We are fruit. Hello?”

Stewart, a prostate cancer survivor who takes two pomegranate pills every morning, is no less adamant, but he isn’t likely to describe pomegranates as a magic elixir of all ages, either. “Could we have been over the gray line a few times? There’s an argument,” he says. “But what they want to do is silly. Do we believe the science? Absolutely. And do the doctors believe it? Absolutely. Now, do we have a 5,000-person double-blind, placebo-controlled 12-year study on prostate cancer? No. How could we? But believe me, there is real evidence this is helpful. By not saying so, it’s wrong. Seriously.”

“I love using Pom research as an example of how easy it is to design elaborate studies to give you the answer you want,” says Marion Nestle, professor of nutrition, food studies, and public health at New York University. “They spent \$34 million proving that pomegranate juice has antioxidant activity. I could have told them that for free. All fruits do. What the studies don’t do is compare the effects of pomegranate juice to orange juice, for example. They wouldn’t get the answer they want if they asked that question.”

As luck would have it, a new \$10 million ad campaign for Pom, its first on television, had been scheduled to debut the last week in September, just as pomegranate season began. The series of three commercials is a dramatic shift in style and substance: Quiet, dreamy, and provocative, they hype the centuries-old idea that pomegranates are aphrodisiacs. One of the spots shows a naked Eve, played by Sonja Kinski, being caressed by a snake as she reaches for a bottle of Pom Wonderful. A breathy voice intones, “Some scholars believe it wasn’t an apple, but a ruby-red, antioxidant-rich pomegranate with which Eve tempted Adam.”

“The FTC was after us, and we were searching for a new concept for a long time,” says Lynda.

Back at the Orchard, lunch is over. Stewart pushes his empty salad bowl aside and considers his four-decade-long

partnership with Lynda. “It’s good to be king,” he says, “but you know what? It’s also better to be queen.”

At Roll, the Queen wants to spend more money on marketing. Lynda tried for years to persuade Stewart to launch an ad campaign for their pistachios. It took a salmonella scare and a recall in 2009 for him to agree. This year’s \$20 million Get Crackin’ commercials, featuring eight celebrities, began airing on Halloween eve. “You want to go with people who are part of pop culture,” Lynda says. “You wouldn’t want balloon dad. That was pathetic.” You would want Snooki, the star of *Jersey Shore*, though. “She just sums up reality TV, and reality TV dominates our lives.” You’d want Rod Blagojevich, the disgraced Illinois governor, too. “He’s animated. He’s an avatar of himself,” says Lynda. Her next big effort will be marketing Paramount’s seedless mandarins, which she’s branded as Cuties.

On the bright side, then, there is Snooki, Blagojevich, Eve, a record crop of pistachios, and a growing share of the global market. Stewart Resnick may be right that success is always punished, or it may be that broken systems are sometimes fixed at the expense of those who understand them best. One of the most telling comments comes from an unexpected source, Keats, the lawyer for the Center for Biological Diversity. “The Resnicks are acting rationally,” he says. “The system is rotten. It’s a mistake to think it’s just the Resnicks. They’re particularly adept at exploiting the system. But anyone in their situation would do the same.”

The Resnicks are looking ahead. Lynda says she may focus more on the couple’s philanthropy. “We’re going to go through some hard times in America,” she says. “I get maudlin. I do. I know too much.” The couple spends summers in Aspen, where Lynda is a member of the Board of Trustees of the Aspen Institute, a self-described neutral venue for discussing and acting on critical ideas. “Every great thinker comes out there and tells us what’s going on in the world,” she says. “By the end of the summer, I want to kill myself.”

Stewart says he wants to do nothing but what he’s already doing. “I have a great time,” he says. “If something goes wrong, it might be a headache, but it’s not going to affect the quality of our life. Also, I believe that luck evens out. So that’s why if I go to Las Vegas and lose, I don’t mind. Seriously, if I win too many times, I get nervous.” **B**