Ranching in the Rockies

Threats and Signs of Hope

By Andrew Yarbrough, Jared Kapela, and Caitlin O'Brady

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Ranchers and farmers working in the Rockies today help connect us to the region's past and tie us to the land. As the epicenter of many rural economies, ranchers and farmers are an integral part of Western culture. Furthermore, ecologically sound ranchlands are essential to wildlife migration, winter habitat, riparian areas, and ecological diversity. Preserving the Rockies ecosystems depends on maintaining profitable agricultural lands that can withstand residential development pressure.

The rise of non-working "conservation" ranches, the consolidation of the agriculture industry, a reduction in public grazing permits, and population growth continue to put pressure on traditional ranches in the Rockies. As a result, it remains to be seen how many ranches will be sold or how many will adapt their practices to meet the demands of new times. This report documents the current economic status of agriculture and ranching in the Rockies and examines the forces challenging traditional ranching. Also, this report presents a number of ways ranchers are diversifying their operations and altering their management techniques to make a profit.

Ranching is often blamed as a cause of environmental degradation, because excessive cattle grazing can be ecologically destructive to the land. Overgrazing and other unsustainable ranching practices result in short-term economic gain at the expense of long-term ecological harm. Environmentalists have engaged in frequent struggles with ranchers over grazing rights on federal lands, and they have criticized the production and consumption of meat as inefficient uses of the Earth's resources. But this has changed in recent years. Sprawl and exurban development are now viewed as greater environmental threats than cattle ranching, and the environmental movement has shifted focus from eliminating ranching to preserving it. In addition, ranchers have

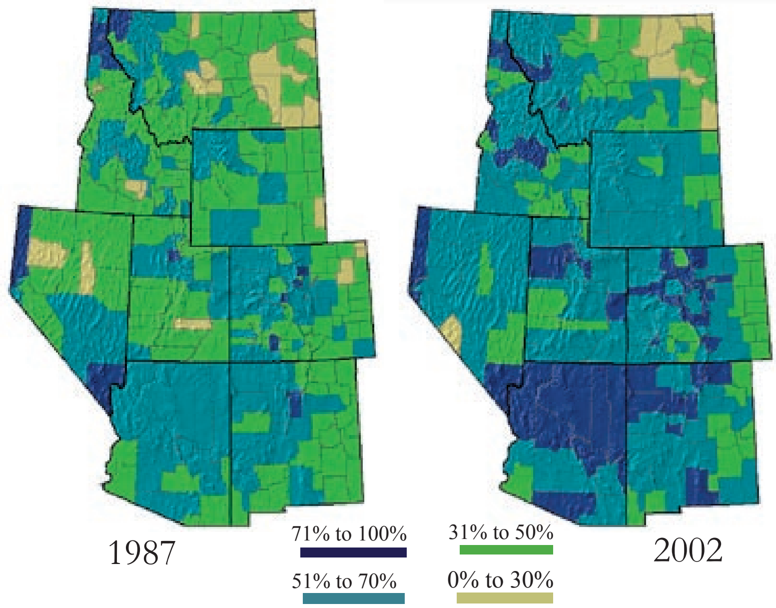
About the authors: Andrew Yarbrough (Colorado College class of 2006) and Jared Kapela (Colorado College class of 2006) are student researchers for the Colorado College State of the Rockies Project. Caitlin O'Brady (Colorado College class of 2005) is research manager for the Colorado College State of the Rockies Project.

implemented more ecologically sensitive techniques, realizing that productive ranching depends on healthy land.

Ranches in the Rockies also tend to be located on the most ecologically productive lands. Fertile river valleys are covered with ranches between more rugged tracts of public lands. Ecologically, ranches help “support everything you think of when you think of the West: elk, deer, running streams, mountain meadows, hiking [and] hunting...”[1] These lands act as and “look something like the veins and arteries in the living body of the West, largely following the branching structure of watersheds.”[2] By connecting federally protected lands throughout the Rockies, ranches and their open ranges provide a vast number of ecosystem services that we take for granted. However, when a ranch is sold and developed into smaller ranchettes or resort towns, these ecologically important roles are undermined.

Reports show that almost a quarter of the West’s ranches have been converted to other uses in the last 30 years,[3] and an additional 24 million acres of ranchland is expected to disappear by 2020.[4] For this reason, conservation groups and ranchers are working together to curb these trends. In the declining economic climate of ranching, ranchers must adopt new practices to make a profit, and conservation groups are helping ranchers develop innovative ways to do so. Leading by example, conservation-minded ranching organizations, like the Quivira Coalition or Alan Savory’s Holistic Resource Management (HRM) movement, are earning a profit through sustainable ranching. Nonprofit land trusts are also helping to preserve ranchlands through conservation easements, as more than two million acres of private land in the Rockies is now protected from development in perpetuity. For more information on easements, see “Conservation Easements,” by the State of the Rockies, on page 27 of the *Report Card*.

County Percentage of
Farms and Ranches with Net Losses, 1987 and 2002
Figure 1
Source: 2002 Census of Agriculture



Status of Ranching and Farming in the Rockies

Agriculture in the U.S. has been significantly transformed by increases in both efficiency and output in the 20th century. Technological advances over the past 25 years have improved productivity, allowing ranchers to produce much more with less. For example, the U.S. beef industry produced 14 percent more beef in 1999 than in 1980 with almost 5.5 million fewer cows. But these advances have been negated due to rising costs without corresponding higher prices. And today, agricultural production is concentrated on a few large, specialized farms which employ a very small number of workers. In comparison, at the beginning of the 20th century the majority of farms and ranches were small, family run, labor intensive, and diversified.[5] As commodity prices decline and input costs rise, small farms which cannot achieve economies of scale are at a severe disadvantage compared to large operations.

In addition, the economic significance of agriculture has steadily declined during the 20th century. Nationally, farm output as a share of total Gross Domestic Product (GDP) has declined from 11 percent in 1945 to 2.2 percent in 2004, and overall farm employment in the U.S. has fallen from 6.5 percent in 1940 to 0.65 percent today.[6] The percentage of farmers and ranchers forced to earn off-farm income to make ends meet has increased from 30 percent in 1930 to 93 percent today, and the proportion of the U.S. population living in rural areas has simultaneously declined from 68 percent of the total U.S. population in 1900 to 21 percent in 2000.[7]

More than ever before, the majority of ranchers are struggling to meet their costs. The number of ranches in the Rockies experiencing net losses has increased sharply from 1987 to 2002 (Figure 1). Agricultural studies in the Rockies show that revenue was barely enough to cover management and labor costs, and returns on total investment were often negative.[8] In addition, over the past decade the cost of ranchers’ inputs have increased greatly while ranchers’ commodity prices have remained stable.[9] Beef prices in 1991 were \$1.06 a pound, and in 2001 that price had only risen to \$1.11, a mere five cent increase. On top of that, between 1991 and 2001 prices for beef per pound fell as low as \$0.60.[10] Because smaller ranches are price takers, or businesses assumed to have no effect on the market, in standard auctions, they have no control over what price they receive. As a result, farmers and ranchers receive only 19 cents of every consumer dollar spent on food, amounting to a 12 cent decrease from 1980.[11]

Massive ranches which achieve economies of scale, meaning they lower production costs by mass production, tend to be more economically competitive than many traditional ranches. Cow/calf operations with 250 or more bred cows have significantly lower average operating and ownership costs than smaller operations, because as the size of a farm or ranch increases, operating costs decrease. Average costs for concentrates and other feed, harvested forage, veterinary services and medicine, bedding and litter, custom operations, fuel, lube, electricity, repairs, and interest on operating outputs all decline as the size of the operation grows. The same is true for ownership costs. Average operating costs are lower on larger ranches because they have the ability to get volume discounts on inputs and can better manage those inputs. Ownership costs are also lower because the cost of machinery, buildings, and equipment are spread over more units of production. Statistics indicate that average costs for storage facilities, tractors, vehicles, and equipment also decline.[12]

Even with large operations, earning a living from raising livestock in the Rockies is difficult. A 300-cow breeding herd, for example, typically requires a $1 million investment, including land costs, grazing permits, buildings and improvements, machinery, and livestock, and yields approximately a two percent return on their investment. In other words, for that $1 million investment on average, the ranch owner will only receive a $20,000 profit.[13]

Ranches at Risk in the Rockies

Rising input costs, higher land values leading to sizeable estate taxes, and the industrialization of livestock industries, among other factors, put pressure on traditional ranches. As a result, agricultural land in the eight Rockies states has declined by approximately one million acres per year since 1964, falling from 268 million acres to 228 million by 1997.[14] Population growth, changing ownership patterns, consolidation of the livestock industry, public land use permits, and government subsidies are some of the major stresses to ranching operations in the Rockies.

Population Growth
The Rockies population is growing at around four percent annually. Most counties and municipalities have minimal policies in place to curb subdivision sprawl, resulting in towns and cities that are growing outward quickly. To grow outward, agricultural lands must be purchased and developed. The demand for subdivision is high, driving up the price of agricultural lands on the edge of town. This gives the rancher incentive to sell his or her land to a developer. Rising estate taxes, which add to the financial stress many ranchers already face, create even more incentive to cash in and sell the land.[15] This is not only occurring on the fringes of municipalities but also in more remote locations where second homes are popular. As a result, ranches face strong development pressure. The Center for the Study of Rural America estimates that farmland and ranchland property values across the West have increased almost 15 percent in real value since the mid-1980s. Consequently, from 1992-2002, 140,000 acres were lost each year,[16] and each day more ranchland and farmland are sold (Figure 2).[17]

Innovative Ranches
The Flitner Ranch: Cowboy Adventure Vacations with Luxury Accommodations
Shell, Wyoming

On the Flitner Ranch, owned and operated by Dave Flitner and his son, Greg, in the Bighorn Mountains of northwestern Wyoming, one will find not only cattle, but tourists as well. Founded in 1906 by Arthur Flitner with only 160 acres and 60 cattle, the ranch has expanded with each generation to nearly 300,000 acres of private and leased land and 1,200 head of black angus cows. As input costs for land, labor, equipment, and maintenance grew, the Flitners saw their profits begin to disappear. By the early 1980s, the Flitners realized that they could not survive by being just a livestock-producing business. To diversify their cattle business, the Flitners decided to bring tourists to the ranch.

The Flitners started a small hunting operation on their property in the mid 1980s, which generated a "bit of income," as Dave Flitner explains, but they needed to diversify their operations further to cover the rising costs of the ranch. The Flitners created the Cowboy Adventure Program in 1990, a luxury guest outfit accommodating approximately 50 guests at a time. Now called The Hideout, guests pay an all-inclusive fee of $2,400 per week to have a "once-in-a-lifetime cowboy adventure vacation … on an authentic Old West working cattle ranch." The Hideout has been a success, luring customers from all over the world back year after year (90 percent of their business is repeat business) to experience a traditional ranching experience plus luxury accommodations and gourmet cuisine.

The key to the success, according to Flitner, was finding the specific niche market the Flitner Ranch could best accommodate. The Flitners urge others to proceed cautiously when diversifying a traditional ranching operation. Ranchers must understand the market they are entering and ensure that their ranch can reach that market. And, because diversifying a ranch is costly, requiring advertising, marketing, and various fixed costs, the rancher must be confident that, in the long run, the revenue generated will be enough to cover those costs.

Additionally, population growth and the corresponding development of agricultural lands have a variety of indirect impacts on communities. In rural-turned-suburban communities, new employers compete with ranch owners for local labor, leading to higher wages and more competition for employees. New residents also require improved public services, like wider roads, more water, more sewage capacity, and new schools, which are expensive and must be funded by higher property taxes.

"Conservation" Ranchers
Wealthy individuals who are not interested in developing land are also buying ranches, which has both positive and negative effects on rural areas. On one hand, "conservation" or "amenity" owners, as they are often called, are saving large parcels by placing conservation easements on their new ranches and prohibiting development in perpetuity. On the other hand, these new owners, who rely on sources of income other than ranching, are displacing traditional ranching operations and taking away community economic bases while driving the price of land up by increasing the demand for agricultural land.

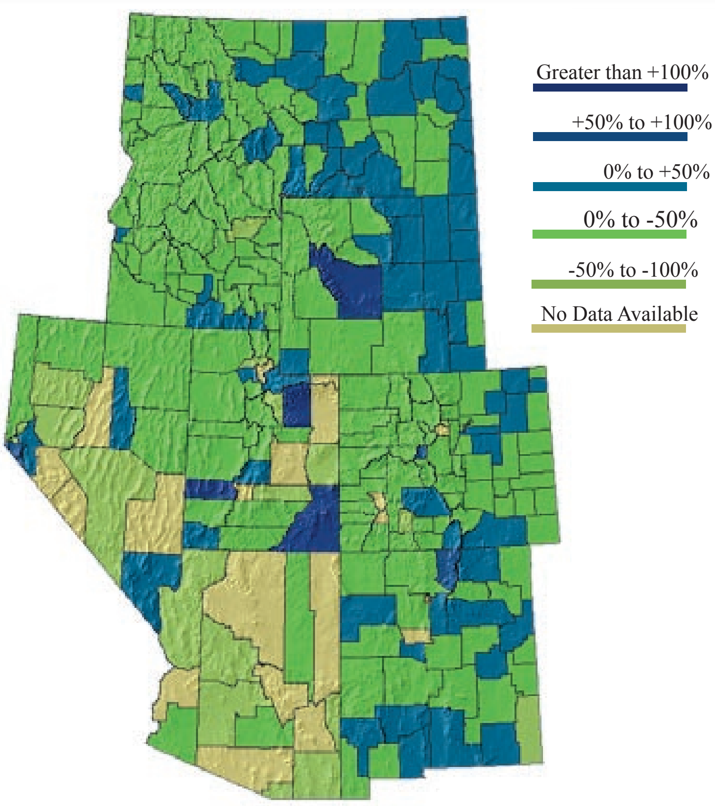
Ted Turner, the largest private landowner in the United States, is one example of a conservation owner. Turner states that he strives to manage his land in an "economically sustainable and ecologically sensitive manner while conserving native species" and has spent millions of dollars reviving endangered species, revolutionizing grazing techniques, and helping to reintroduce wolves into the West.[18] Turner uses holistic resource management on his properties and emphasizes the importance of linking his land-management efforts with federal land management and conservation movements.

To prove that responsible land stewardship can pay off in profits, Turner has created Turner Enterprises, a for-profit organization that earns money ranching bison and running big-game hunts.[19] Typical of ranch owners who integrate conservation efforts with their ranchlands, Turner's ranching practices have been controversial. For example, many ranchers oppose his effort to reintroduce wolves into the region, because wolves sometimes prey on livestock.

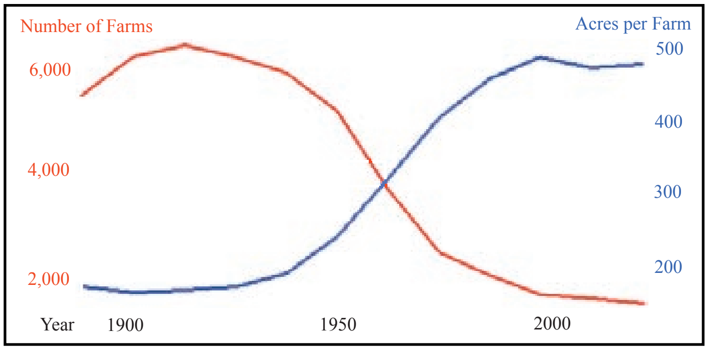
Consolidation of the Livestock Industry

Consolidation at all levels of the livestock industry has changed the structure of ranching in the Rockies, as the biggest ranches and companies are controlling a larger and larger share of the market. Since 1900, the number of farms has fallen by 63 percent and the average farm size increased by 67 percent (Figure 3).[20] More than half of all cattle operations in the U.S. are relatively small with less than 50 head of cattle each; however, these ranches make up a very small percentage of the market share, accounting for only 22 percent of bred cows. Conversely, the six percent of operations with 250 or more head of cattle account for 29 percent of bred cows.[21] At the feedlot level, fewer than 15 percent of the feeding companies account for 70 percent of all fed cattle. At the packer level, 80 percent of cattle are harvested by the four largest companies. At the retail level, five companies account for 50 percent of all grocery store sales of beef.[22] Although production costs are lower for a consolidated livestock industry, leading to lower prices and a more competitive position for the U.S. in the world agricultural market and results in lower consumer prices, these gains have a severe impact on rural areas. Communities that were once home to a diversity of locally rooted traditional ranches are finding a single agricultural producer in their place.

County Percentage Change in
Acres of Farm and Ranch Land, 1987 to 2002
Figure 2
Source: 2002 Census Agriculture



Number of Farms and Farm Size, 1900 to 2000
Figure 3
Source: Census of Agriculture



Shortage of Federal Grazing Permits

Raising livestock in the arid West requires more land for grazing than it does in lush environments. For this reason, federal grazing permits provide important supplemental grazing land to ranchers. However, in the last several decades there has been a large effort to reduce the number of permits allowed by groups and individuals who argue that the environmental damage ranching causes to federal land should be stopped.[23] More than 20,000 ranchers in 11 Western states, or about 50 percent of all Western ranchers, hold federal grazing permits.[24] In 1997, 98 million acres of agricultural land, or 43 percent of all land in production, were held in grazing permits, down from 103 acres in 1992.[25]

Under the Taylor Grazing Act of 1934, the majority of federal grazing permits are administered by the U.S. Forest Service and the U.S. Bureau of Land Management. Permit holders pay fees for grazing rights on a head month basis, or a month's use and occupancy of federal rangeland by one adult cow, bull steer, heifer, horse, burro or five sheep/goats as set by Congress. In Western states, the average fee is $1.35 per head month, which is considerably cheaper than grazing cattle on private land. A U.S. Department of Agriculture (USDA) report in 1994, which examined the importance of public land grazing for ranchers in the West, determined that ranches which held federal grazing permits received better net returns.[26]

Many ranches in the Rockies rely almost entirely on these permits and hold very little of their own private land. But even where permits only make up one tenth of a ranch's total land, the revenue earned from that extra land may be essential to staying in business. If the decline in grazing permits continues, many ranchers will be forced to sell their land, or at least a large portion of it, to cash in on the development value and make ends meet.

Government Subsidies

Government subsidies to farmers and ranchers have played a crucial role in shaping U.S. agriculture for centuries, but subsidies, which distort the market, face strong criticism. Subsidies to dairy farmers, for example, create an incentive to produce an oversupply of milk, thus producing an oversupply of dairy cows. Because subsidies to corn farmers keep cattle feed prices extremely low, it is financially possible to feed dairy cows to reach the same meat grades as beef cattle, which then increases beef supply and reduces the price beef producers can gain for their cattle. Although beef producers receive monetary assistance from the government, they do not receive direct commodity subsidies like many other farm commodities do. Consequently, the Rockies' beef-producing ranches struggle in the face of the current structure of government subsidies.

Economically Viable Ranching in the Rockies

For the average small ranch, rising costs have lowered the profitability of an already marginal and unstable enterprise. Ranching as a commodity producing business has become challenging, and in most cases, ranchers are forced to generate other forms of income to create and maintain an economically viable enterprise. Small, traditional ranches in the Rockies must seek creative ways to make a profit.

Ranchers are taking two noteworthy approaches to creating profitable traditional ranches. One approach is to diversify the operation by utilizing other valuable assets of the ranch and ranchland. The other approach is to employ more efficient and sustainable ranching management practices. Through diversification and new management techniques, ranchers are finding ways to make a profit.

Diversifying the Operation

Ranchers in the Rockies are employing "value-added practices" to make more on the ranch. Leading hunting and fishing adventures, accommodating dude ranching, and niche-marketing specialty products, like organic and natural beef or buffalo, are common ways in which ranchers are adding value to their ranches. These practices do not guarantee success. Niche markets for alternative ranch products are often slim, and small ranch operations do not have sufficient access to them.[27] But ranchers are making them work.

In response to the growing variety of products ranches are offering, small ranchers are creating partnerships to develop larger markets for their products, achieve economies of scale, and jointly market their product. Through partnerships, small producers create marketing leverage and can give a brand name to their product. For diversifying ranchers, "Economic Survival of Western Ranching" by Larry Butler suggests it is important to evaluate whether or not there is actually a market for the product, learn about the market, ensure the estimated sales are enough to cover costs, ensure the ranch has access to the market, establish partnerships with other ranches and businesses, practice responsible land stewardship, and focus on service and product quality.[28]

Innovative Ranches

Ucross Ranch: Artists-in-Residence Program and Holistic Resource Management

Sheridan, Wyoming

Raymond Plank, chairman of Apache Corporation, operates his oil company with social responsibility. He believes that energy development companies need to use the best available technology to decrease their impact on the land and need to invest more profit back into the local communities in which they drill or dig. Putting his money where his mouth is, Plank bought ranchland around Sheridan, Wyoming, from 1967 to 1981 and established a $10 million endowment for a nonprofit organization. On June 1, 1981, the Ucross Foundation was established. The Ucross Ranch includes a 22,000-acre working ranch, a historical preservation center, and an artists-in-residence program.

The artists-in-residence program gives artists from around the world the opportunity to live on the quiet ranch in its natural setting for two to eight weeks at a time. During this time, artists work uninterrupted with first-class accommodations and a personal chef. Artists come from different stages of their careers and from different disciplines, including painters, poets, sculptors, writers, photographers, and filmmakers. The ranch has a gallery where locals and tourists can view work by the visiting artists. Much of the art that is created on the Ucross Ranch has been showcased in national galleries or published by renowned companies. Ucross alumna, Olive Ayhens, displayed her paintings at the Watkins Gallery at American University in Washington, D.C., and Josip Novakovich's book, "April Fool's Day," was recently published by HarperCollins.

The Ucross Foundation's ranching operation is an excellent example of culturally and environmentally sound ranching. Ranch manager, Mark Gordon, practices Holistic Resource Management, which he views as the most effective approach to economical and sustainable pasture management. In 1999, the foundation worked with the Wyoming chapter of The Nature Conservancy to place a conservation easement on half the ranch, protecting that portion of the ranch from development in perpetuity.

The ranch has faced its challenges. Ucross does not own the mineral rights to portions of the ranch. The mineral owners have exercised their rights to develop the minerals, resulting in 20 wells, three pipelines, and numerous roads on the Ucross Ranch. Plank describes the coalbed methane exploration taking place on the ranch as a "disaster." Plank is not an opponent of coalbed methane drilling. His company has plans for 2,000 wells in Canada this year, but he argues the industry's best practices, which he strives to follow, are not being used on the ranch.

Management Techniques for Improving Profitability

Ranchers are also turning their businesses around by adopting new management techniques and practices for raising traditional livestock. Historically, ranchers employed damaging grazing practices, like overgrazing, which eventually lowered productivity. Ranchers now realize the importance of healthy rangeland in minimizing costs and maximizing output. As a result, sustainable ranching techniques are being developed and utilized.

One prevalent management style is Holistic Resource Management (HRM). To follow HRM's specific grazing style, ranchers must be willing to alter their management approach, the way they make decisions, their interaction with the land, and their operational plans.[29] Many ranches using HRM, such as the Lasater Ranch in Matheson, Colorado, have cut costs and increased production. Other new management practices for traditional ranches, like conservation easements and grassbanking, have had similar positive results. For more examples of innovative management techniques, see "New Resource Management," by the State of the Rockies, on page 35 of the *Report Card*.

Endnotes

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[26] *Ibid.*, 26.
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Innovative Ranches

Lasater Grasslands Beef: Grass-finished Beef, Rotational Grazing, and Direct Marketing

Matheson, Colorado

The Lasater Ranch in Matheson, Colorado, produces grass-finished beef under the watchful eye of fourth generation rancher, Dale Lasater. Lasater cattle are born and raised on the 25,000 acres of private land and an additional 5,000 acres of leased land that make up the ranch. The cattle only eat pasture grass and are not confined or grain fed. During the 1990s, the Lasaters recognized that they needed to add some sort of value to their traditional ranching operation to make it profitable. In 1996, the Lasater Ranch launched its grass-finished beef venture and registered Lasater Grasslands Beef as a limited liability company. The Lasaters were already raising their cattle naturally (no hormones) and without pesticides or fertilizer on their land for half a century, so switching to grass-finished beef was an appropriate option for adding value to their operation without large costs.

The strategy is working. The ranch is a profitable business, and the Lasaters have established a strong brand name for their product in the natural beef market. Because of their unique style of ranching, which uses no chemicals and fosters forage biodiversity, Lasater beef has emerged as an option for consumers seeking high-quality beef with minimal environmental impact. Lasater estimates that the cost of raising grass-finished cattle as 30 to 40 percent higher than grain-finished cattle, but the return has been more than enough to cover those costs. The Lasaters sell their product directly to consumers from their Web site. Dale Lasater says the Internet has been the most useful tool in establishing a reliable customer base.

Lasater also attributes his success to the Holistic Resource Management (HRM) approach he employs on the ranch to maintain healthy land and reduce costs. The ranch operates on a 70-day rotational grazing period, allowing vegetation to regrow on unused parcels of land. Labor costs are also reduced, as the ranch does less haying and less time is needed to feed and manage the herd during the winter months.