Converting the Ranch to "All Inside"

Arthur J. Greer

The controversy over grazing public lands will not go away, at least in the foreseeable future. Given the present activity both in and outside Congress, things seem to be heating up. Conservation groups, radical and otherwise, appear to be even more dedicated to the idea of eliminating livestock from all public range. Whether they will or will not be successful remains to be seen. In the meantime it would seem prudent for ranchers to begin planning the future of their operations with the idea of surviving either severe restrictions on, or possibly total elimination of, grazing on Forest Service and Bureau of Land Management (BLM) land.

Suppose that the present structure and cost of grazing permits remain unchanged, and this status quo is guaranteed for the next 15 years. Would this indicate that the rancher using public land should sit back and cease thinking about changing the way his livestock harvest forage? Not at all. In 1984 Obermiller and Lambert estimated that the average cost of grazing BLM land in Eastern Oregon ranged from $7.90 to $17.53 per AUM, and on U.S.F.S. land it averaged $14.03. These costs included permit fees plus all non-permit costs of using the range. Given the increases in all costs since that time, it is reasonable to suppose that the same figures today would be somewhat higher, and they will continue to rise in the future. If calf and lamb prices do not keep pace with these cost increases, permittees may find that they have been priced off the federal range merely through the action of uneven inflation. In fact, uneven inflation has already put a significant number of ranches out of business and will continue to attack the less cost efficient ones.

Ranchers who graze public lands are facing a significant set of challenges in the near future, among them is the question of whether the ranch should continue to use federal grazing, or attempt to move "all inside" by running the entire year on deeded or private lease land. If the choice is to move all inside, can a viable economic unit be maintained that will not only support the present families involved, but also provide an attractive future for the younger generation? If the alternative is to lease private land, will this be any more economical than using public grazing? Any rancher thinking of doing this must be willing to take a careful, critical look at all aspects of the operation with the commitment to eliminate or change any practice, no matter how long standing or traditional, that would hinder the transition to, and success of the reorganized business. This is a tall order, and yet changing to an "all inside" operation is possible on more ranches than one would think if the analysis goes beyond the obvious limitations that have been in place for a long time.

The process of evaluating such a change does not really differ from ranch to ranch. What does vary, however, are the details of the investigation simply because no two pieces of land or no two managers are identical. Each is sufficiently unique to demand an individual analysis. Certain steps however can be common to any reorganization evaluation, and provide a set of analysis guidelines such as the following:

A. What size operation is necessary to support the present and potential families living on the ranch? Once this is decided, the present resource base can be analyzed with a minimum herd size in mind.
B. A detailed analysis of the deeded land is the first step.
   1. Hay Land:
      What is the production potential of the present hay land?
      Could this potential be developed such that the present winter feed requirements could be met with less land?
      Could a significant amount of the present hay land be converted to irrigated, or at least improved permanent pasture?
      What capital improvements would be required and at what cost in total and per ton of forage produced annually?
   2. Rangeland:
      What could be done to the deeded range to improve the carrying capacity?
      What capital improvements would be needed and what would they cost in total and per ton of forage produced annually?
C. A detailed analysis of the livestock program will be needed.
   Are the animals presently used on the ranch suitable to the more intensive operation being contemplated? Does the production calendar suit the timing of the peak forage periods created by the more intensive operation? This may indicate significant changes in breeding and calving or lambing times and places. What changes would be required in the marketing program?
D. A detailed cash flow budget will be needed for at least the transition period to determine how long will it take to completely convert to the new operation, and what cash flow effects will the development effort have dur-

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ing the transition period? These cash flow considerations are not only of interest to the rancher, but also to the banker.

E. When all income and expenditures are tallied, it will be necessary to consider a number of important things. First, how long will it take to repay any borrowed capital? Second, the discounted value of the cash in and outflows during the development period and for a set period after completion need to be considered. This is the basic capital budgeting technique that compares the discounted net cash inflows to the initial outlay of equity capital, with the exception (hope) that the discounted cash flows are positive and exceed the amount of invested equity. In capital budgeting, borrowing and debt repayment are considered cash in and outflows that are separate from the equity invested in the project. Thus the effects of inflation, and any other anticipated forces that reduce the spending power of future dollars, are considered. Third, what net income can be expected once the conversion is complete, and is it sufficient to meet the requirements set out in "A" above?

Thus we have a "bare bones" set of analysis guidelines with the final form of the evaluation dependent on the needs and structure of the ranch. A decision of this nature is important. If the rancher has any doubt about his or her ability to do the analysis, expert help should be called in.

The important thing to remember is that one should ***never*** eliminate the possibility of moving all inside until a thorough analysis has been done.

The results may be pleasantly surprising.

Literature Cited

Obermiller, Fredrick W., and David K. Lambert. 1984. Costs Incurred by Permittees in Grazing Livestock on Public Lands in Various Western States, EM 8283, Oregon State University Extension Service, Corvallis, Oregon.

Infrared Photo Interpretation of Non-riparian Wetlands

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Wetlands have become a focal point in land management in recent years. Policy development and interpretation from Section 404 of the *1972 Clean Air and Water Act* has made identification of these wetlands a necessity prior to any kind of development or use that may compromise this resource. Controversy between private land owners who viewed these regulations as lacking scientific support and conservation/preservation groups and agencies who have influenced the creation of these policies have plagued this issue from its inception (Walter 1991). Those who have experienced the restriction of use on their lands have expressed concern that these regulations provide for unconstitutional land seizure by the government (Brookes 1991). Discontentment and resistance to wetland delineations and restrictions were evidenced by the August 17, 1991, passage of the *1992 Energy and Water Development Appropriations Act* which negated delineations made under the provisions of the *1989 Federal Manual For Identifying and Delineating Jurisdictional Wetlands*.

Efforts to revise the wetland policies have been met with resistance by those concerned with the loss of this resource (Pope 1991, Holloway 1991). Undoubtedly revisions will continue to be made and a wetland policy, guideline or law of some nature will likely be in force continually. The task of identifying these wetlands will be ever present and techniques to increase the ease of this assessment are critically needed.

In the Spring of 1991, a study was initiated to determine the effectiveness of remote sensing for wetland identification using high altitude infrared photography. The study area was sixteen quadrangles (approximately 800 square miles) including and surrounding Strawberry Reservoir in the Uinta National Forest of Utah.

Methodology

Criteria set forth by the 1989 wetlands manual were used to make wetland determinations. The three basic criteria that were required to delineate a wetland area were (1) evidence of wetland hydrology such as standing water, debris drift rings, etc. ; (2) hydrophytic vegetation (species confined to or often found on wet sites); and (3) hydric soils (soils formed in the presence of water or periodic inundation evidenced by soil color and presence of mottling and/or gleying).

Off-site methods for wetland determinations were first employed during the months of May and June, 1991. This

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