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Ranchland Ownership Dynamics in the Rocky Mountain West

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Abstract

We examine the rate of ranch sales and the nature of ranchland ownership change in the Rocky Mountain region. Interest in this phenomenon is high because ranches represent the largest parcels of private open space and relatively natural landscapes in the West and because anecdote, media coverage, and testimony from range professionals suggest that a significant turnover in ranch ownership is underway. Ranch sales activity is of special interest to groups seeking to conserve both ranchlands as habitat and ranching as part of the regional economy and culture. Very little work has been conducted on ranchland ownership per se, although we were able to build on studies of ranchland prices and on surveys that included some questions relating to operational goals, tenure, and future plans. The literature also offers a foundation for a ranch ownership typology. We tracked sales of ranch properties of 400 or more acres in 3 Rocky Mountain counties for the period 1990–2001, finding turnover (sale) rates from 14% to 45%. With help from local real estate agents, appraisers, and county officials, we classified ranch buyers according to a simple typology and found that the majority of acres sold (54%) went to “amenity buyers,” and 62% of acres sold went to out-of-state buyers. This 12-year slice of ranch sales suggests a significant ranchland ownership transition to a new type of owner is, indeed, underway in the Rockies.

Resumen

Examinamos la tasa de venta de ranchos y la naturaleza de cambio de la propiedad de los ranchos en la región de las Montañas Rocallosas. El interés de este fenómeno es alto porque los ranchos representan el más grande terreno de espacio abierto privado y paisajes relativamente naturales del Oeste y porque por anécdotas y testimonios de profesionales de manejo de pastizales sugieren que un cambio significativo de la propiedad de los ranchos está ocurriendo. La actividad de venta de ranchos es de especial interés para grupos que buscan conservar los ranchos como hábitat y con sus actividades propias del rancho como parte de la economía y cultura regional. Muy poco trabajo se ha realizado sobre la propiedad de los ranchos per se, aunque fuimos capaces de diseñar estudios sobre los precios de los ranchos y reconocimientos que incluyen algunas cuestiones relacionando las metas operacionales, los derechos de posesión del terreno y los planes futuros. La literatura también ofrece un fundamento para tipificar la propiedad de los ranchos. Rastreamos las ventas de los ranchos de 400 o más acres en tres condados de las Montañas Rocallosas efectuadas durante el periodo de 1990–2001, encontrando tasas de retorno (ventas) del 14% al 45%. Con la ayuda de agentes locales de bienes y raíces, valuadores y oficiales del condado clasificamos a los compradores de los ranchos de acuerdo a una tipificación simple y encontramos que la mayoría de los acres vendidos (54%) fueron a parar a “compradores recreacionales,” y 62% de los acres se vendieron a compradores de fuera del estado. Este periodo de 12 años de ventas de ranchos sugiere que efectivamente en la Montañas Rocallosas se está dando una transición significativa en la propiedad de los ranchos hacia un nuevo tipo de propietario.

Key Words: ranch sales, landowner typology, amenity buyer, ownership transition

INTRODUCTION

Anecdote, media coverage, testimony from range professionals, and limited research indicate that a significant turnover in the ownership of private ranchland is underway in the American West. The nature of ranch ownership has changed episodically over time, such as when smaller ranches and farms were absorbed into larger units during the depression and drought of the 1930s. Previous episodes of significant

ownership change, however, kept ranchland in the hands of what can be thought of as traditional ranchers: owner-operators or some form of family corporation or partnership focused mainly on livestock production (i.e., agricultural owners sold to other agriculturalists). The current ranch ownership change, many observers argue, is marked by a transition from traditional ranchers to a new type of owner not as dependent or focused on livestock production, owners likely to operate in a significantly different fashion and to treat the land differently.

Ownership is an important human dimension of rangeland health and sustainability (Mitchell 2000), but our understanding of the current dynamics of ranch real estate is poor, limited by the difficulty of collecting and analyzing data on private land ownership. Several research questions present themselves and speak to the future of ranching in the American West: What is

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the rate and pattern of ranch ownership turnover? What does this imply for the ranching economy and culture and for rangeland management? What are the goals of new owners? We begin to address such questions in this article with an analysis of the rate and pattern of ranch sales in selected areas and with an attempt to assess the disposition of new owners.

As ranches change ownership, the land resource might be split up (subdivided), remain roughly the same, or even be agglomerated with other parcels to create a larger ranch. We focus on ranches that remain intact or enlarge as they change hands, thus representing intact production units and habitats. Obviously, though, the potential for subdivision as ranches change hands is an important issue deserving attention in future research.

Literature Review and Conceptual Framework

Anecdote and indirect evidence indicate that western ranches are changing hands at an unusually high rate and in a fashion that will result in significant changes in ranch configuration, management, and the role ranches play in the social and ecological health of western rangelands (Holechek 2001). Several studies cite the increasing average age of ranch owner-operators as prima facie evidence that ranch transfers are increasing or are likely to be more frequent in the near future as ranchers retire (e.g., Peterson and Coppock 2001); and ranchers increasingly view selling to developers as a viable or even inevitable alternative to intergenerational inheritance for a variety of reasons (Liffmann et al. 2000).

Ranch ownership is one of several human dimensions of rangelands. Although extensive research illustrates how land management affects land quality, we know much less about ranchland ownership per se. Ranch ownership goals are complex. Agricultural economists have known for decades that western ranches are not especially efficient producers of livestock and do not offer competitive profit or return on investment. Smith and Martin (1972) showed 3 decades ago that Arizona ranches perform poorly economically; many yield negative returns while simultaneously selling for high prices in the real estate market. Subsequent work has revealed this pattern in many parts of the West (see, for example, Fowler and Gray 1988; Bartlett et al. 1989). Economists conclude from these analyses that ranchers obtain a wide range of non-monetary benefits from ranch ownership, including lifestyle, land and resource stewardship, and a desirable role in the local community (Rowan 1994).

It is widely argued that ranches across much of the West are sold—or at least are marketed—at prices far above their agricultural value (Holechek 2001; Torell et al. 2004), and that this reveals a large demand for ranches by nonranchers who are most interested in the amenities of owning a ranch. Indeed, Smith and Martin (1972) used the price disparity as the basis for calculating what could be called the “amenity increment” in ranch land prices in Arizona; but they assumed that the consumer of that amenity increment was a traditional rancher, that is, an owner-operator mainly focused on livestock production but also enjoying the lifestyle amenity.

Analysts recently have begun to assume that ranch sales at amenity prices reflect a switch away from livestock production to a focus on consuming land amenities as the dominant goal. The effect began to show up in ranchland studies, especially in the 1990s. In their study of New Mexico ranch prices, Torell

and Kincaid (1996) excluded some ranch sales in areas that they believed were affected by recreational or development potential in an attempt to obtain more purely agricultural production values. In a more recent study, Torell et al. (2003) concluded that “capitalization of annual earnings explained little of the market value for most New Mexico ranches,” whereas the presence of wildlife had a significant influence on ranch values (p. 4). Sengupta and Osgood (2003) found that access to roads, cities, and neighbors, as well as overall attractiveness, raised ranchland sale prices in Arizona. Rowan and Workman (1992) included such nonagricultural influences in their study of Utah ranch sales, but found them insignificant.

The perceived transition in ranchland ownership out of the hands of “traditional” ranch families has led several researchers to develop new typologies of western ranchers and ranches. Ranch typologies are traditionally based on production types (e.g., cow-calf, shed lambing, sheep and cattle, buffalo, etc.; see, for example, Anderson et al. 1993). A few researchers began to recognize nonproduction ranch types in the late-1980s (Bartlett et al. 1989). Coppock and Birkenfeld (1999) used socioeconomic data and cluster analysis to identify 5 types of owners, including “hobbyists,” those who obtained > 50% of their income from nonlivestock sources. In a survey of Utah producers, Peterson and Coppock (2001) asked respondents to type themselves as “profit oriented” or “hobby oriented” and found that the latter group, defined as those for whom “livestock were raised more for lifestyle reasons and ancillary income generation compared with a profit-minded business orientation” (p. 109), controlled about 20% of private grazing land. Gentner and Tanaka (2002) split western public land ranchers into 2 main types, hobbyists and professionals, each with 4 subcategories, based on why the owners were in ranching and how they might respond to public land policy changes. Their “hobbyist” category runs from part-time ranchers actually trying to make a profit from livestock production to “trophy ranchers” who rank the need for profit as low when compared with the amenity benefits of ranch ownership. This was the first recognition of the “trophy ranch” in the research literature. Their mail survey of 1 052 public lands ranchers found an almost even split between professionals and hobbyists. Sengupta and Osgood (2003) observe that more than 60% of the agricultural operations in the 1997 US census of agriculture could be classified as “hobby” farms and ranches if defined as operations with < \$10 000 in sales. The United States Department of Agriculture (USDA) Economic Research Service recently developed a new typology for categorizing farms and ranches into “more homogeneous groups than classifications based on sales volume alone,” based largely on the occupation of operators (USDA 2000). The typology includes a “residential/lifestyle” class.

Substantial prima facie evidence suggests that recent ranch buyers are more likely to be lifestyle seekers than professional ranchers. Indeed, an informal survey of ranch real estate catalogs, like the glossy *Rocky Mountain Farm and Ranch Magazine*, suggests that the primary market for large operations is what Gentner and Tanaka (2002) would call trophy ranchers. Still, depending on how one interprets Gentner and Tanaka’s categories (2002), such as retired hobbyists, sheep ranchers, and both classes of family ranchers, it can be concluded from their results that slightly over half of the West’s

public lands ranches are still in something akin to traditional ownership and use. The region's ranchlands are only partway through a major transition.

If many, perhaps most, new owners in the Rocky Mountain West seek goals in addition to, or even in place of, livestock production, then ranch ownership change is likely to result in land use and ecological changes. Not every ranch sale results in a significant change in ranch management, of course, but a growing amenity market for ranchland has the potential to affect many land qualities of interest to range managers and land conservationists (Huntsinger et al. 1997). Ranches are not only economic production units that contribute to local and regional economies but are often important parcels of private open space that provide valuable habitat, scenery, and other ecological and social services. Although individual ranchers hold differing views on their role in maintaining habitat and preserving biodiversity, there is no doubt that private open spaces are of critical importance to the future ecological health of the Rocky Mountains, even though more than half of the surface area of the region is federally owned (Baron 2002).

Holechek (2001) suggests that current western ranch ownership and operation patterns are changing because of the deployment of significant new wealth into ranchlands, especially during the past decade. Holechek believes this change is likely to continue, and perhaps intensify. Thus, it makes sense to attempt to quantify the changing nature of ranchland ownership. We could find no studies in the range and ranching literature that examined contemporary ownership change in detail, although it has been a minor dimension of some survey-based studies (Liffmann et al. 2000) and has been an element of historical studies of ranching (Jordan 1993; Starrs 1998). After beginning this study, we realized that one reason so little work has been done on this obviously important issue is that the data are hard to acquire and awkward to work with. Historical land ownership information in the United States resides mostly in the arcane deed-and-plat system of paper records held only in each county's courthouse. Current ownership data are public but often difficult to access. Fortunately, some county land records are becoming digitized and are available online. Thus, it is slowly becoming possible to take a more systematic look at ranchland ownership dynamics, and we consider this study a first, detailed step toward filling the knowledge gap about the rate and nature of ownership change.

METHODS

We are unaware of previous research that examines ranch property ownership directly through property records, so we explain our methods in some detail to encourage both critical feedback and replication by other researchers. We analyzed ranch ownership change by gathering land ownership data and sales data from county tax assessors, private appraisers specializing in agricultural properties, realtors, and others familiar with agricultural sales in the study counties. Although land ownership data are public, we follow standard social science protocol and report data only in the aggregate so that we do not reveal personal information about sellers and buyers.

In this study, "ranchland" refers to the deeded land of a ranch unit. This land may not be contiguous. A "ranch" is typically composed of one or more deeded parcels, perhaps with outlying plots, used in a systematic and integrated fashion, often in conjunction with leased private land and public grazing allotments. Total deeded acreage varies among western and Rocky Mountain ranches, from small operations of a few hundred acres to typical large ranches that comprise 1 000 or more deeded acres (Gentner and Tanaka 2002).

Our focus is on the fate of larger ranches that remained intact after a sale (that were not subdivided for residential or other uses) and that could be functional agricultural production units, if so desired by their owners. Based on recommendations from agricultural extension agents, realtors, appraisers, and others familiar with the agricultural communities studied, we set the threshold at 400 deeded acres. This kept us out of the "ranchette" market but included smaller ranches that could still be considered viable economic units if supplemented with off-ranch income or leased land.

For each county analyzed, we spent several days in the field getting acquainted with the local ranching geography and conducting interviews with the agricultural community, realtors, appraisers, conservationists, and representatives of local and federal government. We collected land ownership data from both local and state agencies. In Wyoming and Colorado, we obtained general land ownership data (e.g., the amount and geographic location of public and private land) from each county's geographic information system (GIS) specialist. In Montana, general land ownership data were available from the Montana Natural Resource Information System (NRIS).¹ We collected detailed data on private land ownership from the Departments of Revenue (DOR) in Montana and Wyoming and from the Routt County assessor in Colorado. In all 3 states, we requested ownership data for all parcels designated as "agricultural" for tax purposes in 2002 (the most recent data available). We collected land parcel data from each county, working to reconcile different software, data systems, and ownership identification techniques, to create GIS parcel layers (maps). We standardized and combined the ownership data to identify all land owned by owners with 400 acres or more, and we linked the sales data to these layers to reveal the spatial pattern of sales and ownership in each county.²

We worked with appraisers familiar with each case study county to characterize changes in ranch ownership. We found that rural appraisers generally maintained the most comprehensive sales databases (as opposed to county assessors, realtors, or lending agencies) but varied in their willingness to share their data, which may be considered proprietary. In reporting results, we do not reveal owner names or other sale identifiers (e.g., parcel identification number or price), although we do briefly describe some specific sales and related land use changes as examples without identifying the individuals or properties involved. We were able to obtain sales data from at least 2 ranch real estate professionals in each county. We calculated the number of sales of 400 deeded acres or more

¹<http://nris.state.mt.us>

²These and other ownership maps and reports can be viewed on our website: www.centerwest.org/ranchlands.

