

SUMMARY REPORT

Southwest Center for Resource Analysis' "Economic and Social Importance of Cattle Ranching in Southwest New Mexico" A summary report, WNMU

PREPARED: July 23, 2007 by Steve Wilmeth

The highlights of the noted report include, but are not limited to, the following:

1. The authors are Alexander J. Thal, pH. D, Adam Polley, Rita Mendenhall, Mark Romo, and Paul Nelson. Al Thal has had to defend his job in court over this report. He is still employed at WNMU.
2. The date is 1992 (somewhat dated, but still research in the archives).
3. The profile covers Luna, Hidalgo, Grant, Catron, and Sierra Counties.
4. At that date (use it as if it was still current): 629 ranchers operating in a greater industry that has been continuously in place "for 400 years", with an average of 169 cows. The ownership, collectively, was 14.6% Hispanic, 10.2% female, and a total of 1876 ranch family members supported. This further supported 2516 ranch employees.
5. The "total population supported" calculation was "3.5 average family X 188 jobs = 658 population supported.
6. The public school enrollment support was "13,351 = \$106.97/ child".
7. Fifty six percent of the families involved had been in the business over 30 years and 11% had been in the ranch operations over 100 years.
8. Each rancher "paid an average of \$8,655 per year in grazing fees and taxes; \$3,878 comes back to the county."
9. "87% (of all money spent by ranchers) went to water development, feed and minerals (of which up to 50% consumed by wildlife), trail maintenance, maintaining water developments, maintaining roads, (access for public recreation and hunting), and other miscellaneous projects."

Reprint of Chapter IV. (incorrectly noted as such, but should be VII.)

FUTURE TRENDS AND PUBLIC ISSUES

In Southwest New Mexico the primary renewable resource is range grounded in agriculture cattle production. IT provides substantial social capital to local businesses, governments and schools and to public land resources as described in this report. Social capital can be defined as the integrating values of resource diversity, economic benefits, and social and cultural values. Ranching provides important contributions to all three: biological diversity, economic vitality, and cultural diversity to Southwest New Mexico.

This chapter analyzes the impacts of possible grazing fee increases on cattle ranching operations. It also describes the impacts on government and schools, on their bonding capacities, and on the rancher's ability to finance public land resource management. The chapter concludes with a

comparative evaluation of public land grazing fees compared to private land fees in Southwest New Mexico.

What if Grazing Fees Increase?

The study analyzed the effects of increasing the grazing fees above the PRIA (Public Rangeland Improvement Act) formula. Two scenarios discussed below are:

- (1) an increase to \$4.45/ AUM, and
- (2) an increase to \$8.70/ AUM.

Substantial grazing fees effect not only the ranch operations but it would also have ripple effects on private investments in public lands and on the regional economy.

1. Impacts on Ranch operations:

Under either scenario, an increase would jeopardize small and medium ranch operations, eliminating profits to small ranchers (which make up 36% of beef production). It would result in a 24% loss of net ranch income at \$4.45/ AUM, and 64% loss at \$8.70/ AUM increase. The total five county economic impact would be \$3.5 million loss in sales to local businesses, governments, and schools, and the loss of 64 jobs at \$4.45 AUM within the region.

2. Impacts on public land investments and resource management:

Grazing fee increases will also have a negative effect on private rancher investments in public land resources. Most likely for small to medium size ranch operations, it would result in a negative incentive to invest and maintain public land resources such as maintaining water improvements.

There is a view that private investments in public land resources should be discouraged. Yet that belief seems to fly in the face of empirical observations that positive incentives which encourage private investments (in capital and labor) will necessarily improve the land resource, and encourage long term stewardship. This is particularly important when considering riparian management alternatives - with limited public funds. At an increase of \$4.45/ AUM, the impact on public land resource investments would be \$2.2 million annual loss in opportunity costs. Who will make up the difference to maintain water improvements for wildlife?

3. Impacts on Local Government and Schools:

Substantial grazing fee increases will also impact local businesses, government and schools through reduced local purchasing power by the ranchers. A \$4.45/ AUM increase would result in a loss of \$3.5 million annually in local circulating dollars. The major impact would be on a substantial reduction in real estate value, thus effecting local property tax assessment.

It will also reduce the bonding capacity of local governments and schools. County governments have alternatives for financing mechanisms for meeting infrastructure needs. But how will the local schools afford infrastructure projects if ranch property values are substantially reduced? It will reduce the bonding capacity by 5% TO 10%. The full report provides a more detailed discussion.

Private Grazing Fees Vs. Federal Grazing Fees:

Much of the debate about federal grazing fees is centered on comparable grazing fees with private lands. The study examined mine ranches, composed of about 80,275 acres located in Grant and Luna Counties. These ranches are not entirely private lease land but a mixture of both private leased land and other land mixtures. The study only evaluated the private land lease fees. The following information was found:

- Average private grazing fee: \$4.15 AUM
- 10.00 head per section of land (in line with federal stocking rates)

In comparing these private grazing fee estimates, the study found that the federal land grazing fees are comparable in price (rent) structure. The results of this report found that the average cost of federal grazing fees was \$7.05 AUM. The full report expounds on this comparative analysis. The implications are that in Southwest New Mexico the public land rancher is paying their fair share with the added note that about \$5.24/ AUM goes directly back into land resource improvements.

VII. Conclusions

Cattle production is a viable base industry and an important corner stone to economic development in Southwest New Mexico. The agenda before us is to work out ways to utilize the natural resources and provide opportunities – not restrictions – to capitalize on the human capital in resource use and stewardship. As Aldo Leopold noted years ago:

What conservation education must build is an ethical underpinning for land economics and a universal curiosity to understand the land mechanism. Conservation may then follow.