

LANDOWNERSHIP CHANGE AND THE RANCHING ECONOMY IN THE **OKANOGAN VALLEY**

SUMMARY REPORT



BACKGROUND

Over the last two years, The Trust for Public Land (TPL) has worked in partnership with Okanogan Valley Land Council, Washington Department of Fish and Wildlife, Conservation Northwest, and local landowners to sustain the ranching economy and conserve important natural areas and recreation opportunities in north-central Okanogan County. To better understand the pressures and changing landscape of ranching in the Okanogan Valley, TPL contracted with Headwaters Economics, a nonprofit research group based in Bozeman, Montana, to analyze landownership and ranching trends. The specific objectives of the study included: (1) document and analyze land use and ownership change; and (2) describe the impact of land use and ownership change on the viability of the local ranching economy. Headwaters Economics completed the study in November 2008.

This summary highlights some of the most surprising and pertinent information in the final report. To access the complete study, please contact Kitty Craig, TPL program manager, at kitty.craig@tpl.org, 206.274.2923.

To learn more about Headwaters Economics and its work on ranching in the West, visit www.headwaterseconomics.org.



OKANOGAN VALLEY

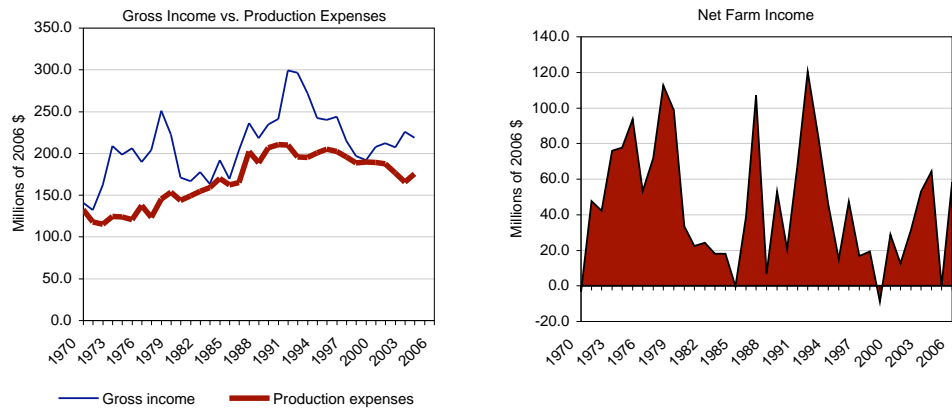
FARMING AND THE COUNTY ECONOMY

The agricultural lands of Okanogan County are in a period of rapid turnover and change, on par with fast-changing areas elsewhere in the West. This changing land-ownership is likely to have a significant impact on the economy and community of the Okanogan Valley within the next decade.

ECONOMIC VOLATILITY

Net farm income in Okanogan County varies widely depending on many variables, including production costs, land tenure, and international markets (Figure 1).

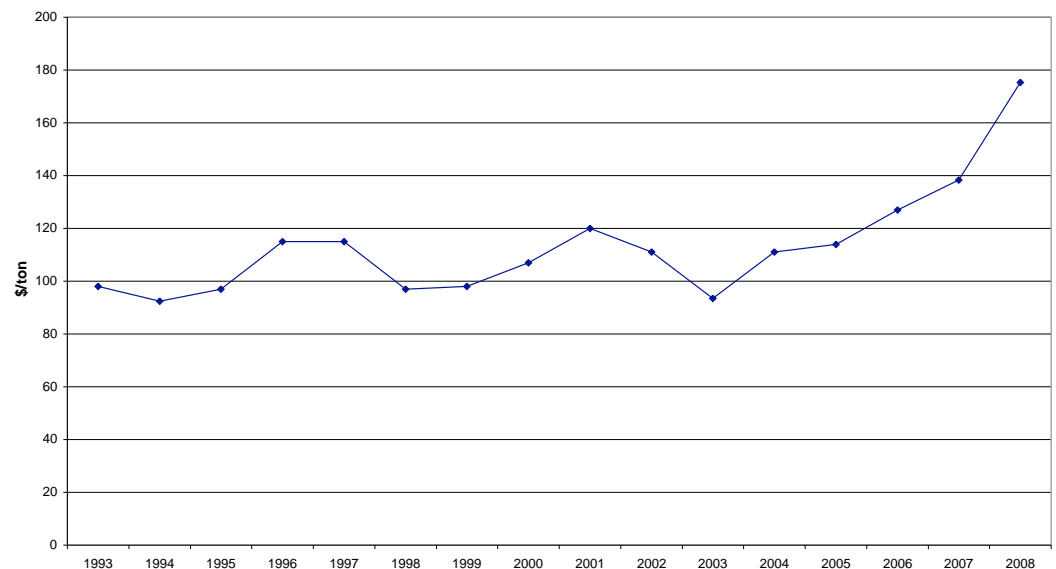
Figure 1. Gross Income, Production Expenses, and Net Farm Income, Okanogan County, 1970–2006



Source: U.S. Department of Commerce, 2008. Bureau of Economic Analysis, Regional Economic Information System (BEA REIS).

Hay prices have increased dramatically due to overseas exports and recreational demands for hay near Puget Sound and in Pacific Rim countries such as Japan (Figure 2).

Figure 2. Ton of Hay in Washington State, 1993–2008

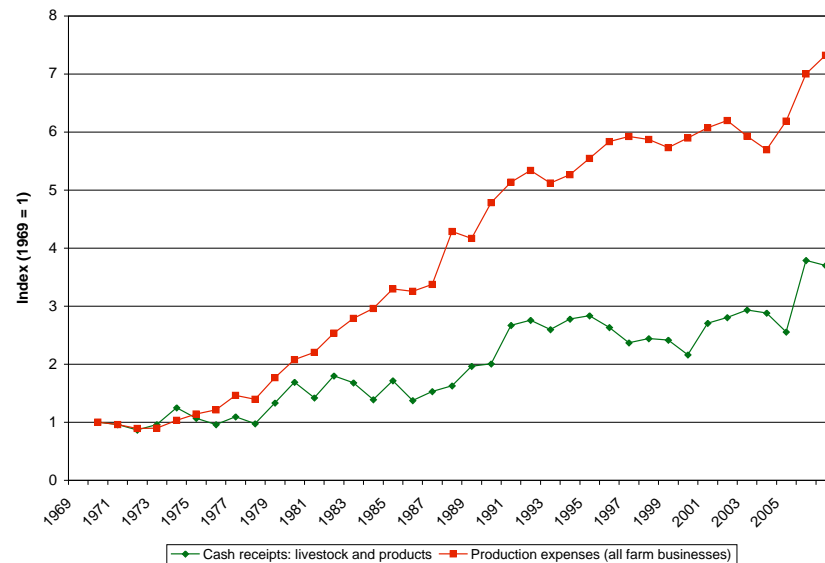


Source: Data provided by Washington State Agricultural Statistics Survey.

ECONOMIC VOLATILITY (continued)

- According to the USDA, between 2007 and 2008 the cost of fertilizer increased 32 percent, and fuel 35 percent.
- Agriculture in Okanogan County is subject to a classic “cost-price squeeze,” in which production costs are increasing, but income is relatively flat (Figure 3).

Figure 3. Receipts from Livestock and Production Expenses, 1969–2007 (indexed to 1969)



Source: BEA REIS 2006 CD, Table CA45.

Overall, agriculture is declining as a major source of employment and income in Okanogan County.

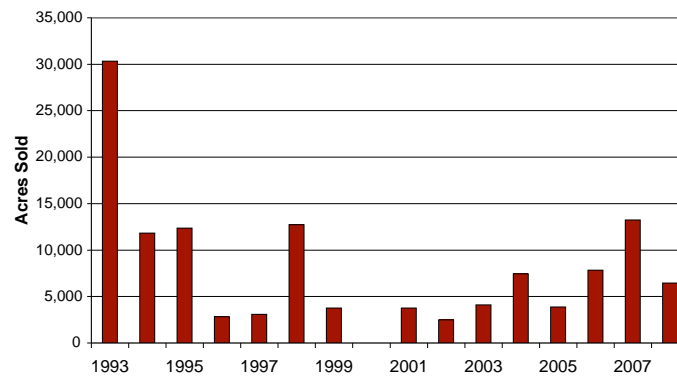
- According to the Bureau of Labor and Statistics, farm employment has declined from 32 percent to 19 percent of all employment in the county since 1970.
- In 2006 farm employment paid an average annual wage of only \$14,089.
- Livestock prices and increasing cost of living and production costs suggest that an average herd size required to support a family is approximately 500.
- Approximately 14 large (more than 500 head) ranches own 45 percent of the livestock in the county, according to interviews conducted with Okanogan Valley residents.
- Leasing grazing land is an important survival strategy for all remaining ranches in the Okanogan Valley, and will become increasingly important as land and hay values increase relative to returns from livestock sales.

RANCHLAND OWNERSHIP CHANGE

The ranchland turnover rate in Okanogan County is on par with the fastest-changing areas in other parts of the western United States.

- In the past 15 years, 45 percent of the total land area in private agricultural status in the Okanogan Valley has changed hands (116,220 acres of ranchland sold in 87 separate transactions) (Figure 4).
- Amenity-oriented acquisition of large ranches (i.e., trophy ranches) with the intent of keeping them intact is less prevalent in Okanogan County than in other areas of the West.

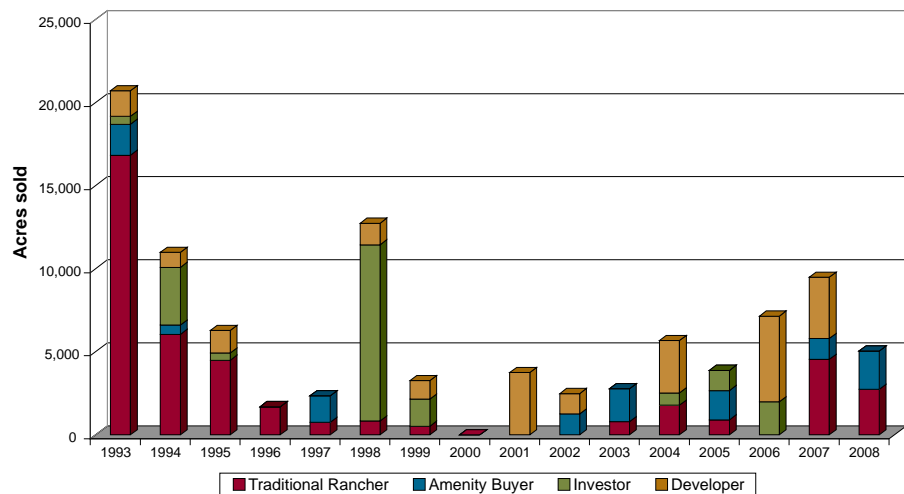
Figure 4. Acres of Large Agricultural Holdings Sold by Year, 1993–2008



Of the ranchland that was sold in the past 15 years in the Okanogan Valley, 33 percent was sold to traditional ranchers and 53 percent was converted to new uses (Figure 5).

- A total of 19 percent of the converted land was sold to either amenity buyers (13 percent) or government agencies (6 percent) not likely to subdivide.
- Thirty-four percent of the converted land (43,775 acres) sold for future residential use.

Figure 5. Sales Activity by Year for Four Major Buyer Categories, 1993–2008



Source: Data in Figure 4 and 5 provided by Okanogan County Chief Appraiser.

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RANCHLAND OWNERSHIP CHANGE (continued)

Local owners tend to own agricultural lands, and nonlocals tend to own smaller recreational lots.

- In 2008 people with local addresses owned 59 percent of the total private acreage in the Okanogan Valley, and nonlocals owned 41 percent. However, locals owned 71 percent of the land classified as agricultural.
- Land conversion and nonlocal ownership is dispersed throughout the valley but predictably concentrated on boundaries of public land holdings and alongside rivers and lakes.

The decrease in agricultural land use has coincided with an increase in subdivision, and currently 45 percent of the parcels in the Okanogan Valley are 40 acres or less.

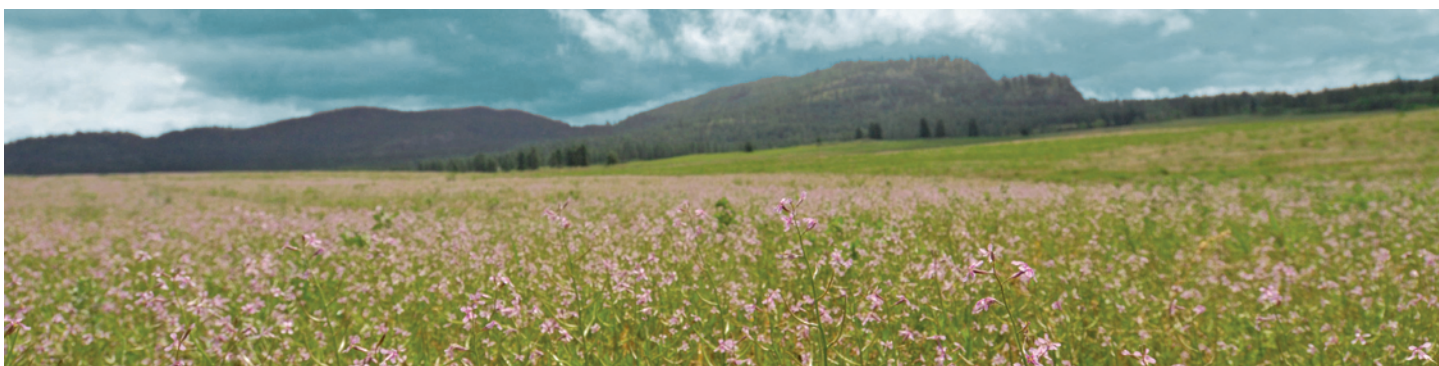
- It is likely that the small- to medium-sized ranch properties (50–400 acres) will be the most vulnerable to increased production costs and most likely to sell in difficult economic times. These smaller holdings make up approximately 30 percent of the total agricultural holdings in the county.
- If current trends continue, 50 percent of smaller ranch properties will go to non-ranching interests.
- With only 14 large ranches controlling 45 percent of the livestock produced in the Okanogan Valley, a small number of producers have a large effect on the overall agricultural economy and its future.

CONCLUSIONS

- **The Okanogan landscape is changing fast.** Agriculture in the Okanogan Valley is in a time of rapid change. There are few remaining large ranches, and smaller holdings are being subdivided and sold for recreational or amenity property.
- **A cost-price squeeze is happening.** It appears that the most economically viable producers are the larger ranches, and even these are caught between high costs and flat income levels.
- **Now is the time to come together.** Options exist to help support agricultural producers in Okanogan County if people with common goals and diverse resources can develop a shared vision for the future of Okanogan agriculture.

QUESTIONS FOR THE FUTURE

- What are the alternatives to the current trend?
- Should the county pursue active farmland protection for remaining ranches?
- Are there ways to decrease production costs for midsized producers?
- Do most people in the Okanogan Valley value agriculture as a part of the rural way of life and want it to continue as a part of the local landscape?
- Are there ways that the county, towns, and community groups can come together to help protect and support local producers?
- What resources are available statewide to help support Okanogan agriculture?
- How does the County Comprehensive Plan help support agriculture?
- What has been successful to help sustain agricultural producers in similar places?
- What are the biggest opportunities for agriculture in the Okanogan Valley given today's economic conditions?
- Are there ways state and federal land managers in Okanogan County can help support local producers?
- Can tourism and recreation exist alongside agricultural production in the Okanogan Valley?
- What does the community want in this time of change?



PHOTOS BY DARCY KIEFEL

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