The bottom line to ranching in California – We are on the edge of the cliff for the survival of future ranching generations. Without the ability for generational ranching and farming families to be sustainable, the habitat of approximately 30 million acres of rangeland in California owned or managed by ranchers is at risk. The risk is fragmentation of these ranches and farms if families are forced to make the tough decision to leave agriculture.

That is what I am going to address to you, an overview of the changing economics and regulatory pressures that have a great many ranchers on the edge of that survival cliff.

When talking about ranching, ranchers are always obligated to talk about Mother Nature. The uncertainties and up and downs that Mother Nature provides our lands is a given and an accepted part of the economic challenges of being in agriculture, so I am obligated as a rancher to at least mention Mother Nature.

There are changing economies in the world and in the United States that affect ranchers. Ranchers are truly in a global market. More than 12% of the value we receive from our beef comes from exports going out across the world. Mexico, Canada, Japan, S.Korea, Russia, EU, Vietnam (ie – China) are examples of our major beef export markets. The weather in Australia and Argentina play a role in market competition. How
strong or weak the US dollar is also plays a very significant role in our global markets. The export markets for US beef are growing and that is a very bright spot for California ranchers.

I wish that the effects of US and California policies and regulations were positive or even just neutral. The facts show otherwise.

Two comments on US energy policies that are negatively affecting ranchers in California and across the nation: 1. Cost of fuel and gasoline and other inputs. 2. Ethanol policies and US corn crop.

One does not have to be an Einstein to know that the rapid increase in the price of a barrel of oil has a dampening effect on the US economy in the higher prices we all pay for gas and diesel, but what people are just now starting to realize is the higher cost of what you purchase at the grocery store is setting into our pocketbooks. These economic realities increase ranchers cost to stay in business and lessens the demand in the US for buying beef, which obviously means ranchers get paid less for what they sell.

In 2011, 40% of the US corn crop is going to be used for ethanol. The two main reasons that 40% of the corn crop is used for ethanol production is because of US policy that gives a credit for blending the corn into ethanol and a tariff on sugar cane coming into the US. The results are near record or record highs for corn commodity futures. It puts the beef industry at a competitive disadvantage for buying corn and results in lower prices paid to ranchers for what they sell.
I want to go through some examples that should bring home the point how close to the cliff the ranching community is in California. Regulatory agencies and legislative bodies can put families out of ranching or help keep families in the ranching business.

Starting at the local level, counties and cities have their BOS and City Councils. These elected officials are responsible for staff and commissions, such as planning commissions. There are planning departments, building departments, agriculture commissioners, health departments, on and on.

Each of these bodies has staff that is responsible for carrying out the permit processes and administering the rules for grading ordinances, ag tourism ordinances, Williamson Act contracts and compliance, on and on and on.

After satisfying staff requirements, most often one gets to continue on in front of a planning commission and possibly even on front of the Supervisors or Council members. It is common for each staff or elected body to put their vision on top of what has already been asked for by preceding departments.

On to a more regional look, there are 9 regional water quality control boards with staff throughout California. In recent years, water board staff has been very active, creating new regulations and compliance issues for agriculture. Using current and valid science based models has been a challenge. The same concept goes for regional and local air resource boards and staff.

At the state level, of course there is the legislature, made up of the Assembly and Senate. In the current session, because of budget issues, only 2,330 plus bills were introduced. I suppose ranchers could say we were fortunate only 2,330 plus bills were introduced.
because without a doubt, if 4,000 or 5,000 or 6,000 pieces of potential legislation were introduced, the likely outcome would be even more costly compliance laws and regulations to deal with. In addition, if there are 2,000 pieces of legislation passed, it seems there are 4,000 unintended consequences, most of which have negative consequences.

On the agency side of things, CDFA, F & G, DOC, Cal EPA, Sate Water Board, Air Resources Board and many others are carrying their missions by administering laws and regulations.

Last, but not least, is the federal level. The House and US Senate do what they do. We will leave it at that. On the administration side, ranchers deal with the regulations from the multitude of agencies that include US EPA, US F&WS, USDA, BLM, IRS, Army Corp of Engineers, GIPSA and on and on……

The point is that there are multiple levels of law making and regulation enforcement that come from dozens and dozens of agencies that have a financial cost to California ranchers.

Each employee works to carry out the mission of the agency, which results in a tunnel vision effect. I am just stating as an overview, not being derogatory. There is no one nor one entity accountable for the overall outcome and costs that come from having to comply with hundreds and thousands of laws and regulations.

California ranchers and farmers are at a tipping point from this accumulation of regulatory costs.
There is one section of federal law and one state program that is of the upmost importance for the future of ranchers and for the millions of acres of habitat that ranchers are responsible for. I know that Mark Kramer is going to talk about these two issues after lunch, but they are so important I also want to highlight them very briefly right now.

Keeping the Williamson Act intact in California is essential for the sustainability of future generations of California ranching families. It is the single most important state issue for the California Cattlemen’s Association. In the next fiscal year or two, 52 counties across the state are going to have to make some tough choices whether or not to keep the Williamson Act.

The other issue is estate tax. In California, because of high land costs, high capital costs, previously stated high regulatory costs, along with low income per acre (which is inherent in ranching), make the burden of paying what we in agriculture not so fondly call the death tax, an economic hurdle that forces the sale and/or the fracturing of ranches. According to US Dept of Agriculture information, the average age of a rancher across the nation is approaching 60 years old. I know that to be true in California because as I travel across the state to local cattlemen’s associations, at the age of 56, I am almost always one of the youngest ranchers in the meetings. In the relatively near future, there will be a generational turnover of our ranches and farms that will put family ranchers and farmers at risk. There need to be policies in place that keep ranches intergenerational. Estate tax should not be a barrier to that.

I will be happy to get into more details about solutions to estate tax and Williamson Act issues in the discussion portions of today’s program.

If our society wants to keep our landscapes, watersheds and habitats intact for plants and
animals on the millions of acres that make up ranches in California and the rest of the nation, we need to have policy that keeps family run ag operations from being under the crushing accumulation of laws and regulatory compliance costs.

I believe that it is in our society’s best interest to keep ranching families sustainable so that the environment on our working landscapes can remain sustainable.

Notes: USDA numbers
– 98% of ranching & farming operations in the U.S. are family owned or managed
=Ranchers and farmers are up to 20 times more likely to pay estate taxes of at least $250,000 than the average estate.