D.1 Background & Objectives

This chapter will examine some emerging strategies that Monterey County ranchers can use to strengthen the viability of their ranching businesses. The analyses in our previous chapters have attempted to characterize the trends of ranch conversion in Monterey County, make reasonable predictions of the future of ranching in the region, and determine the primary factors that influence people’s decision to continue ranching. Based on these analyses, we have found some indications that the future of Monterey County ranching could be at risk.

Our survey of Monterey County ranch owners showed that although ranchers stay on the ranch for lifestyle reasons, finances may be one of the primary drivers in their decision to sell\(^1\). A United States Department of Agriculture (USDA) survey found that the average “net cash farm income” of California cattle ranchers was $24,220 (United States Department of Agriculture Economic Research Service, 2006). This is a fairly low return on the land, which is typically ranchers’ most valuable asset. Clearly, many ranchers are land rich and cash poor.

Because of the low financial return of conventional cattle ranching in California, many Monterey County ranchers depend on jobs or other off-ranch sources of income to make ends meet. This report, however, focuses entirely on increasing profitability through sources of income related to the ranch.

We have investigated innovative strategies that different ranchers have used to improve the economic viability of their ranches. Along with financial rewards, many of these strategies can provide other benefits, such as community building, and improved relationships with non-ranchers.

After we conducted interviews with several ranchers, it became clear that no one strategy would provide a universal solution for Monterey County ranchers. The effective mix of strategies for each rancher depends on the individual circumstances of that rancher. Our research goal, therefore, was to investigate the unique benefits and ingredients for success of each strategy.

For each strategy, we will:

- Define and discuss its basic elements.
- Discuss its primary benefits and issues.
- Provide examples of the strategy being used successfully by ranchers.

\(^1\) See Appendix A for complete survey results.
D.2 Methodology

To investigate the strategies, we conducted interviews and informal conversations with 17 ranchers and 13 ranching industry experts, including government and University of California Cooperative Extension personnel. Along with our interviews, we collected information about ranch viability strategies through a literature review. The results of our survey supplemented our findings from the interviews and literature review.

D.3 Ranch Viability Strategies – Overview

Strategies to improve a ranch’s economic viability can be divided into two categories (Pratt, 2001):

1. Increasing profitability of cattle production (see Addendum D-1)
2. Capturing more of the land’s economic value (strategies unrelated to cattle production)

We will not presume to offer “better” cattle production methods to experienced ranchers. Instead, we will discuss some promising strategies by which Monterey County ranchers can gain financial and other benefits without changing their essential ranching practices. The strategies we discuss can help ranchers to capture more economic value from their land, and to increase their cattle production profitability. These strategies include:

- Conservation easement
- Ranch tourism
- Third party infrastructure (wind turbines)
- Central Coast\(^2\) beef marketing cooperative

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\(^2\) The Central Coast is typically defined as the region including the counties of Monterey, San Benito, San Luis Obispo, Santa Cruz, and Santa Barbara.
D.4 Ranch Viability Strategy – Conservation Easement

D.4.1 Conservation Easement Definition and Basic Elements

An agricultural conservation easement is the primary tool used when an agricultural landowner wishes to receive money or tax advantages in exchange for permanently giving up rights to non-agricultural development. The landowner retains full ownership of the land, but commits to the land being kept in agricultural use forever. This commitment to not developing is enforceable by the agency to which the landowner has sold or donated the easement (The Nature Conservancy, 2007).

A conservation easement allows ranchers to both increase profitability by reducing the overhead tax costs and — if the easement is sold rather than donated — capture more of his land’s economic value by receiving monetary compensation for the development rights. Approximately 80% of conservation easements are sales and 20% are donations (A. Mills, personal communication, February 15, 2007). In addition, some hybrid deals exist, called “bargain sales,” in which the available amount of cash from the land trust is less than the market value of the lost development rights, and the landowner also receives some tax benefits to reflect the remaining “donated” portion of the development rights. (A. Mills, personal communication, February 15, 2007). Conservation easements can also provide for retention of some specific development rights.

While a conservation easement can be a powerful financial tool for ranchers who want to keep their land in ranching, our interviews and survey results indicate that conservation easements are controversial for Monterey County ranchers. The considerable benefits of conservation easements help to explain why many ranchers choose to make use of them, and the significant issues help to explain why many don’t.

 Benefits

- Generate financial benefits (cash, tax advantages)
- Maintain the ranch for future generations
- Establish a relationship with a land trust

 Issues

- Give up economic opportunities from development potential
- Limited funding for conservation easements
- Williamson Act contracts have some of the same benefits without the permanent loss of development rights
- Relationship with land trust means sharing control of management decisions

3 For information about the specific federal, state and local policies that help enable different types of conservation easements, see Appendix C. This report also discusses Williamson Act contracts, which are short term land protection contracts that can be alternatives to permanent conservation easements.
D.4.2 Specific Benefits and Issues

The financial rewards for conservation easements include direct cash as well as estate tax, property tax, and income tax relief. A conservation easement can allow a rancher both to capture more of his land’s economic value by selling the development rights and to increase his profitability by reducing the overhead tax costs. In either a sale or a donation, the landowner is granted estate tax and property tax reductions to reflect the lowered economic value of the land with the easement (Anella & Wright, 2004).

Prior to a conservation easement, the estate tax can be as high as 50% of the land’s value, because it is based on the highest economic value of the land (Anella & Wright, 2004). A conservation easement removes development potential from the equation, and the estate tax is lowered accordingly. For many ranchers, lowering the estate tax removes an incredible burden. This considerable financial relief makes passing the land on to the next generation significantly easier, and can even make the difference in allowing a rancher’s children to keep the land.

For any rancher who intends to keep his land as a ranch, it doesn’t make sense for the ranch family to pay estate and property taxes at a high rate, based on development potential the family will not use. A conservation easement lowers these estate and property taxes to a more favorable rate. When a landowner donates a conservation easement, he additionally receives income tax relief (A. Mills, personal communication, February 15, 2007). For more specific information about this income tax relief, see the discussion of the Pension Protection Act in the federal policies section of Appendix C.

On the other hand, when a landowner sells a conservation easement, he receives cash for the development rights. The amount of money is based on the difference between the market value of the land for development and for agricultural use. If a land trust can only come up with a portion of this market value difference, the remainder is officially considered a gift. This gift portion is then eligible to be deducted from the ranch income for income tax relief as in a full donation (A. Mills, personal communication, February 15, 2007).
The obvious drawback to selling a conservation easement is giving up the right to sell the land for its highest economic value, based on its development potential. Many ranchers understandably want to keep this financial opportunity as an option. Cash from conservation easements can make up for some of this lost development potential, but funding for easements is limited.

Moreover, 72% of Monterey County ranchland is already under short-term agricultural protection through the Williamson Act (California Department of Conservation Division of Land Resource Protection, 2006), removing some of the incentive for ranchers to commit to permanent easements. However, although the Williamson Act provides property tax relief, it doesn’t have the estate tax and cash rewards of permanent easements.

D.4.3 Conservation Easement Relevant Examples

The many land trust organizations and government assistance programs available to California ranchers provide a range of options for conservation easements. According to Sokolow & Lemp (2002), 34 organizations that focus at least partially on agricultural easements exist in California, including one in each Central Coast county. Because of the wide range of organizations with different missions, we will provide just a few relevant examples.

- **County:** Monterey County Agricultural Land Trust and Historical Land Conservancy currently focuses on farmland rather than ranchland (Sokolow & Lemp 2002). The Big Sur Land Trust preserves lands with values such as ecologically significant habitat, or agricultural use.

- **Statewide:** The California Rangeland Trust (CRT) is devoted to conserving ranchland primarily for the combined agricultural and habitat values, as opposed to purely for habitat values or ecosystem services (A. Mills, personal communication, February 15, 2007).

- **National:** The Nature Conservancy works with local conservation organizations to purchase conservation easements, with a focus on habitat protection for rare species as well as wildlife corridors and sensitive ecosystems (Anella & Wright, 2004).

George Work, a southern Monterey County rancher, will be getting a conservation easement through CRT (G. Work, personal communication, November 28, 2006). Although he chose CRT because of its focus on ranching, Work’s stewardship ethic is important to the land trust. Work engages actively in activities such as improving food cover and water availability for wildlife. CRT puts an emphasis on ranchers with a good history of land stewardship and habitat protection, because the trust is looking
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for good caretakers. Work Ranch scores high in these areas, making it a prime candidate for an easement.

Conservation easement example: George Work
As a result of its superior land stewardship, Work Ranch won the 2004 National Environmental Stewardship Award from the National Cattlemen’s Beef Association (National Cattlemen’s Beef Association, 2004). Work Ranch employs the Allan Savory holistic management method, and regularly engages in habitat improvement work. George Work genuinely enjoys this work, and also benefits from the positive press. For example, work that he’s done to improve bird habitat helps his relations with the Audubon Society. Habitat improvement activities on Work Ranch property include the following:

- **Food for wildlife.** Work will let some barley go unharvested by cattle, or even plant it specifically for local wildlife. He used to do some controlled burns each year to stimulate regrowth and provide optimal food. He has sometimes even fed wildlife during droughts, using a feeder.

- **Water improvement.** When installing drinking troughs for his cattle, Work uses specially designed troughs, which are at ground level and therefore accessible to many kinds of smaller animals. He also modified the ranch’s existing conventional troughs to provide better access to the drinking water for birds and most small animals. His method involves using concrete boards to create ramps for the wildlife.

- **Community action.** Work gives sustainable agricultural talks to student and community groups, works with the California Department of Fish & Game to minimize poaching, and has served on local boards such as the Resource Conservation District.

- **Miscellaneous activities.** Work is always experimenting with new ideas for habitat improvement. For example, Work had to replace two power poles on a private power line when they were hollowed out by woodpeckers for nest sites. Rather than discarding the hollowed out poles, he left them on his land next to the new one in order to retain the woodpecker habitat. PG&E required the top ten feet of the old pole to be cut off for safety, but some of the nesting holes for the woodpeckers were untouched.

For Work Ranch, the easement can help by generating cash flow for investment and reducing the estate tax. The tradeoff is the opportunity cost: the Works will no longer have the ability to sell their land for development. However, this potential money doesn’t generate any immediate cash flow, and Work hasn’t really considered selling anyway. The Work family is now in its fifth generation on the ranch, is very familiar with the land, and wants to keep it in the family.

Like George Work, a Mariposa County rancher named Frank Long is benefiting financially from his land stewardship (Herr). Long’s success with a conservation easement is described in the box below.
Conservation easement example: Frank Long
After cattle ranching for decades, second generation rancher Frank Long decided that he wanted to make sure his Mariposa County ranch stayed a ranch. “…my main goal was to have this ranch stay as a working ranch in perpetuity, even after I and the boys are gone,” said Long. “I've always been a rancher. I like the work, the freedom, the strong relationships I've built with my neighbors.” (Herr, 2005) Although maintaining the ranch was his first motivation for getting a conservation easement, Long was also able to reap significant financial rewards.

In exchange for the development rights to 90 percent of his land, Long has received very close to the market value of this foregone development potential (Herr, 2005). He achieved this favorable easement arrangement by working jointly with the San Francisco office of the Trust for Public Land (SFTPL) the California Wildlife Conservation Board, and the Sierra Foothills Conservancy. Because of Long’s stewardship of the mature blue oak woodlands throughout his ranch, the SFTPL was able to secure a $1.425 million California oak woodlands conservation grant to finance the easement.

Besides the financial rewards for his land stewardship, Long’s commitment to keeping the land as a ranch was the crucial factor in making an easement the right move for him. Long has been a rancher for his entire life, and didn’t want his land to be developed like the properties around him (Herr, 2005). The easement was clearly the right choice for him, because he received a significant amount of immediate cash for his own goal of preserving his land from being developed.

D.4.4 Key Rancher Traits for Easements

As identified in this analysis, conservation easements are best suited to ranchers who:

- Value immediate cash more than potential revenue from future development
- Have strong land stewardship practices
- Value maintaining the local ranching tradition
- Want to keep the land as a working ranch; and/or
- Want to pass on the land to their children

If the most important thing to a rancher is to get the maximum amount of money for selling his land, an easement is probably the wrong way to go. As our survey results showed such polarized rancher attitudes towards easements, it is clear that many ranchers want to at least keep their development options open. However, for a rancher who wants to pass the land on to future generations as a working ranch, it doesn’t make sense to leave the children burdened with a high estate tax. By making the land’s economic value reflect its true use, the conservation easement can make it significantly easier for the next generation to keep ranching.
Although conservation easements are not acceptable to everyone, ranchers can also capture more of the economic value from their land by diversifying their land uses. We next discuss the benefits from two of these options: ranch tourism, and receiving revenue from allowing third party infrastructure on the land.

**D.5 Ranch Viability Strategy – Agritourism**

**D.5.1 Agritourism Definition and Basic Elements**

According to a UC Cooperative Extension Farm Advisor, agritourism can be defined as “…visiting a working farm or any agricultural, horticultural or agribusiness operation for the purpose of enjoyment, education, or active involvement in the activities of the farm or operation.” (Lobo, n.d.) More specifically, agritourism can include activities such as farms stays, cattle drives, hunting, and on-site product purchases. We provide an example of a Central Coast rancher who has successfully used a combination of some of these strategies.

**D.5.2 Specific Benefits and Issues**

As tourism is a large part of California’s economy, and nature tourism is the fastest growing part of the U.S. tourism industry (George & Rilla, 2005), agritourism represents a considerable economic opportunity for Central Coast ranchers. The variety of possible tourism activities makes this a versatile strategy that an individual rancher can adapt to his own unique situation and land. The Work Ranch example below shows how one rancher has used a range of tourism activities to generate income, opportunities for his family, and community interaction.

Of course, tourism is a fundamentally different enterprise than cattle ranching itself, and expanding into tourism is only appropriate for certain ranchers. This move can be a financial risk, will change the private nature of a ranch, and will necessitate considerable work in addition to the cattle ranching operation. At Work Ranch, liability insurance has become a major cost for the ranch. (G. Work, personal communication, November 28, 2006).
D.5.3 Ranch Tourism Relevant Example

Having a successful ranch tourism operation depends on a genuine desire to open the ranch to the public, as well as the desirability and accessibility of the land for visits. Additionally, a rancher might have to either forego some of his ranching operation, or enlist additional labor, in order to effectively manage both the ranch and tourist operations.

We chose the Work Ranch as an example because of its success with the following aspects of ranch tourism: farm stays, trail rides and other horse activities, hunting, and extensive family involvement with the ranch.

Except where otherwise noted, the information in this case description is derived from information obtained during a November 28, 2006 phone conversation with George Work, the owner of Work Ranch.

**Ranch tourism example: George Work**

George Work’s ranch was established by the Work family around 1895, and the land was homesteaded by members of both sides of Work’s family prior to that date. The ranch consists of 12,000 acres located in California’s southern Monterey County, running approximately 250 head of cattle. The Work’s however, have expanded their business to a wide variety of tourism activities, and the family has remained involved. Work has stressed that good communications between all involved with the ranching and tourism operation has been crucial to its success. Currently the ranch is owned partially by Work’s children, and Work’s son is currently running most of the ranch operation. In addition to the Work family members involved with the ranch, Work currently has one laborer.

**Farm Stays**

The Work family began the farm stays after Work led the charge to amend California regulations which previously prevented food from being served at places other than food establishments. California State Assembly Bill # 1258 was passed in 1999, allowing an agricultural homestay with a maximum of six bedrooms and 15 guests ("California state legislature assembly bill 1258," 1999). This bill specifies that food and lodging are permitted in a homestay as long as they are an “incidental” part of the agricultural operation.

For the duration of a Work Ranch farm stay, guests essentially become part of the Work family, staying in one of the bedrooms at Work’s house. The ranch averages a couple of stays per month, usually for two nights, and often will have only one family at a time. Optional family activities include ecology walks with Work, fossil digs for kids, trail rides, and bird watching. Interestingly, horse trail rides and other horse activities with Work’s daughter-in-law have brought in more money than the farm stays.

Work says that he hasn’t had as many guests as he originally anticipated, probably due to a lack of marketing. This business has therefore not been a significant income producer, but has an added benefit of providing an avenue to educated people from urban areas about ranch life. According to Work, this two way communication has helped Work Ranch to build allies. Some important characteristics of Work Ranch that have helped make these farms stays successful are the beauty of the land, and the outgoing personalities of the Work family members.
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Hunting

Work Ranch has a hunting club comprised of five police officers and their families. The animals hunted, listed in order of number of animals hunted, are pigs, elk, deer, quail, and dove. Additionally, the ranch has a full time guided hunting program.

Work says that of all of the strategies he employs, hunting could be the easiest thing for ranchers to accept as a new part of their business. Having hunting for profit on a ranch requires some changes and different insurance, but Work has been able to manage these changes. This operation provides the ranch with money ranging approximately from 1/4 to 1/3 of annual net income. Other operations on the ranch have higher gross returns, but more expenses. Not surprisingly this high revenue provides a strong motivation for the Work Ranch to make significant habitat improvements for the wildlife living on the ranch (see our conservation easement section for more detail).

D.5.4 Key Rancher/Ranch Traits for Ranch Tourism

As identified in this discussion, ranch tourism is best suited to ranchers who have:

• A genuine desire to open the ranch to the public
• Land that is desirable and accessible for visits
• A family commitment to involvement in the tourism operation
• A willingness to forego some of his ranching operation and/or
• A willingness to enlist additional labor

Ranch tourism is not for everyone. The desire to own and manage a ranch doesn’t necessarily translate into a desire to share the land with the public. However, ranchers who fit well with ranch tourism can find viable sources of additional income, a new way to involve family members in the business, increased opportunities to market their products for a premium price, and a positive way to interact with the larger community. For landowners that want to diversify their land use without substantially modifying their operations, the option exists to receive revenue from third party infrastructure. We discuss this strategy next.

D.6 Ranch Viability Strategy – 3rd Party Infrastructure (Wind Turbines)

D.6.1 3rd Party Infrastructure Definition and Basic Elements

There are many types of third party developments on ranchland that are potentially compatible with cattle grazing, and can bring significant additional revenue to ranch owners. These developments can include cell phone towers or various types of energy infrastructure. Addressing all of these possible developments is beyond the scope of
this report; we focus on wind turbines as an example. Wind development projects generate revenue for ranchers across the United States, and a project is slated for development in California’s Central Coast.

D.6.2 Specific Benefits and Issues

The financial benefits to a rancher from a wind project can be significant, and merit some explanation. By leasing land for wind power development, a landowner can receive between $2,000 to $5,000 per turbine per year (United States Department of Energy, 2005). The exact amount received depends on the price of electricity, wind turbine size, and the amount of electricity produced, which depends on the area’s average yearly wind speed (Haley, 2003).

Even for sites with suitable land and strong wind resources, wind power development has to consider local concerns. According to a Senior Engineer at the U.S. Department of Energy’s National Wind Technology Center, one of the main barriers to wind power development is public acceptance, as community members are often highly concerned with visual impact (W. Musial, personal communication, August 3, 2006). Opposition from the local community can prohibit a development project. Just as importantly, the wind power developers need to address any regulatory or environmental issues and ensure that they are working with willing landowners.

D.6.3 Wind Turbines Local Example

The Lompoc Wind Energy Project will be the first major wind project developed in Santa Barbara County. We will discuss this project as a positive example of Central Coast ranch owners receiving revenue from wind turbines. The project has strong potential for success because it will benefit the landowners without significantly disrupting the local community or environment.
Third party infrastructure on ranches example: Lompoc Wind Energy Project

The proposed Lompoc Wind Energy project will include between 60 and 80 wind turbines on 2,950 acres of agriculturally zoned Santa Barbara County land, encompassing six working cattle ranch properties (Day, 2006). In addition to financial rewards, the Lompoc Wind Energy Project will bring the landowners the benefit of new and improved roads, by widening the current 12-14 foot wide roads to 16-24 feet (Pacific Renewable Energy Generation LLC, 2006b).

One important reason that the project can go forward is its minimal visual impact on neighboring communities. The project site is bordered to the south and west by Vandenberg Air Force Base, and to the north and east by other ranches (Pacific Renewable Energy Generation LLC, 2006b). Because the wind turbines will not be in the immediate viewshed of many nearby residents, the project does not have the type of community opposition that other wind projects have had to face. The project is currently moving forward, as the major regulatory issues have been addressed.

One of the hurdles for the project to overcome has been the Santa Barbara County Inland Zoning Ordinance, which restricts landscape features such as wind turbines to a maximum height of 50 feet (Pacific Renewable Energy Generation LLC, 2006a). The project developers have requested an amendment to this height restriction, on the grounds that any commercially viable wind farm requires wind turbines taller than 50 feet, and the Santa Barbara County Comprehensive plan encourages wind power development (PREG LLC, 2006). Therefore, the project developers assert that the height restriction should be amended, as its effect is to prohibit actual development of wind power (PREG LLC, 2006).

As in any development project, the project developers also have to address the anticipated environmental impact of the wind turbines. A team of biological consultants hired by the project developers have investigated the project’s likely impacts on wildlife and vascular plants, and have proposed mitigation efforts (Olson & Rindlaub, 2006). The consultants concluded that the turbine construction will result in permanent removal of 4.13 acres, and the disturbance of 2.71 acres of wildlife habitat. Another 31 acres will be permanently lost through the widening of existing roads for project development. The consultants further state that the impacts to coastal scrub, woodland habitats, wetlands, and other plants and animals will be minimized by the project siting and by mitigation efforts.

The Santa Barbara County zoning ordinance mentioned in the example highlights the fact that wind power developers always have to address local regulations. The particular issue of wind turbine height isn’t such a regulatory problem in Monterey County. The Monterey County zoning laws are less prohibitive, allowing for commercial wind systems to be up to 200 feet in height (Monterey County Planning Department, 2000a, 2000b). However, wind power development in Monterey County, or any other community, requires careful consideration of all the regulations and concerns specific to that community.
D.6.4 Key Factors for Wind Power Development on the Ranch

Because of the minimal landowner effort, the financial rewards, and the lack of disruption to cattle grazing, wind power seems to be a winning strategy for ranchers seeking additional on-ranch sources of income. Wind power development on a ranch depends on:

- Willing landowners with significant annual wind resources (Windustry, 2006)
- Proximity to transmission lines (Windustry, 2006)
- Land that can support the turbines, and sufficient access roads (Windustry, 2006)
- A location in which the neighbor viewshed issues are not a prohibitive barrier
- Ability to address environmental concerns and local regulations

Wind turbines are a profitable source of revenue for many U.S. agricultural landowners, and there is wind power potential in Monterey County. Some of the ranchers that we interviewed told us that in recent years, wind power developers have been scouting viable wind power sites on Monterey County ranchland. Wind power development is inappropriate for ranches that do not have the necessary wind or land resources, or are located in areas where community opposition or local regulations will be prohibitive. For ranches that do meet the necessary characteristics, wind turbines can bring in significant revenue and help to maintain ranch viability.

D.8 Ranch Viability Strategy – Marketing Cooperative

D.8.1 Marketing Cooperative Definition and Basic Elements

Each strategy we have discussed so far is primarily an individual choice for a rancher. In contrast, forming a regional beef marketing cooperative could be a viable way for local ranchers improve profitability by working together. An agricultural marketing cooperative is formed when individual farmers or livestock managers create a larger business organization to jointly market their products (Warman & Kennedy, 1998), allowing participants to capture more of the economic value from their land and the beef that they produce.

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4 For more information about the logistics of forming a cooperative, see Addendum 2.
We delve more deeply into cooperatives than the other strategies, because (1) a cooperative is a strategy encompassing the larger ranching community; (2) our survey yielded a favorable response to a cooperative; and (3) a Central Coast cooperative has been initiated but has not yet gotten off the ground.

### D.8.2 Specific Benefits and Issues

The financial benefits of the marketing cooperative will help those ranchers who have determined that ineffective marketing is the main issue keeping them from being profitable (see Addendum D-2).

Despite the benefits of a cooperative, some cattle ranchers are wary of the idea. Ranchers who are used to running their own businesses might understandably have reservations about working with others to this extent. Therefore, a rancher needs to thoroughly evaluate whether the benefits of a cooperative justify his or her personal commitment. We need to acknowledge in this discussion that some ranchers simply won’t want to join a cooperative. For ranchers who want to receive prices higher than commodity beef without having to work with other ranchers, independent direct marketing is an option. By selling beef directly to customers at a little less than grocery price, the ranch can receive significantly more money than by selling to a middleman.

Bob Blanchard, a San Luis Obispo County rancher who has marketed his products locally since 2004 (see Addendum 3), has mentioned the value that customers place on directly seeing the ranch from which the meat comes (Blanchard, 2006). Consumers are often more willing to pay for the product when they have the direct experience of the ranch and the people who run it. The Blanchards have a unique operation, and independent direct marketing has been a good option for them.

Work Ranch, which we discussed as an example of ranch tourism, has also done some direct marketing of beef in the past. The Works have since stopped this practice, as the lack of local infrastructure and the local, state and federal compliance monitoring make direct sales burdensome for a small producer (G. Work, personal communication, November 28, 2006). This point highlights one of the primary values of joining a cooperative to market jointly: reducing the costs and risks for the
individual producers. Our examples of Niman Ranch and Country Natural Beef show that a successful cooperative can provide significant benefits beyond what a rancher can achieve alone.

A marketing cooperative can provide a rancher with financial, practical, and social benefits. Strengthening the connection between Monterey County ranchers could provide a support network, as well as increase the political power of the Monterey County ranching community. A cooperative, in the long run, could also free a rancher from some of the marketing and business strategizing, leaving more time for outdoor ranch work. This benefit is important to Monterey County ranchers; our survey indicates that being able to work outdoors is one of their favorite aspects of ranching.

D.8.3 Marketing Cooperative Relevant Examples

Is the idea of forming a beef marketing cooperative in the Central Coast economically feasible? The answer to this question depends on whether the Central Coast has enough of a target market for the product and whether there is enough rancher willingness to make a cooperative work. We provide some analysis of the potential market for a local beef cooperative in the Central Coast, and discuss the steps that some ranchers have taken towards starting such an enterprise. Additionally, we provide some compelling examples of successful cooperatives that could be useful models for the Central Coast.

Analysis of Central Coast market for local beef
One of the most important points about a Central Coast beef cooperative is that it could differentiate itself from the market competition for beef, based on the health and environmental benefits of local ranch-produced beef. This type of environmental distinction in a consumer market has been characterized as an environmental differentiation strategy. According to Reinhardt (Reinhardt, 1999), two crucial factors that can make an environmental differentiation strategy profitable are:

1. The environmental benefit is coupled with consumer gains.
2. The target market is willing to pay the premium.

The first factor is met in this case, because consumers receive the private health benefits of natural beef along with the environmental benefit of maintaining ranches. By buying the local beef, they are supporting the local ranch business, but are also receiving their own benefits.

As for the second factor, a 2004 study of Central Coast consumers provides a strong indication that there is a large target market for healthy, locally grown, natural beef in the Central Coast. This study, conducted by the UC Santa Cruz Center for Agroecology and Sustainable Food Systems, was sent to a random sample of 1,000
Central Coast households and got a 48.3% response rate (Howard, 2006). Some of the key results relevant to our discussion include:

- On a scale of 1 to 10, respondents stated interest levels greater than 7 for the qualities of food safety, nutrition, and treatment of animals
- Product labels are the most preferred source of food-related information
- The most desirable qualities food labels can indicate are “humane” and “locally grown”

These results don’t quantify the numbers of potential Central Coast consumers for local beef. However, they clearly indicate that the qualities already met by much of Monterey County ranch-produced beef are important to the potential cooperative’s target market.

**Beginnings of a Central Coast Cooperative**

As mentioned earlier, a group of Central Coast ranchers has taken the first steps towards forming a local beef cooperative (G. Work, personal communication, February 5, 2007). With the help of Monterey County Congressman Sam Farr, this group received federal funding from the USDA Rural Economic Development Service to build a mobile slaughter facility. The group, known as the Central Coast Home Grown Meat Alliance (CCHGMA), could possibly seek additional federal funding for direct marketing efforts through a Farmers Market Promotion Program grant. For more information about this program, see Appendix C.

We spoke about the cooperative’s status with Jeff Rodriguez, a Project Coordinator at the Central Coast Resource Conservation & Development office, who has been involved with the cooperative initiative (J. Rodriguez, personal communication, March 13, 2007). The mobile slaughterhouse, known as an avatar, is operational, and most of the necessary permits have been received. Use of the avatar is currently on hold until it gets a grant of inspection from the USDA. This USDA approval depends on completing a Hazard Analysis and Control Point (HACCP) Plan, which will address such issues as water quality and waste water.

The CCHGMA has taken other important steps, most notably creating a marketing plan and conducting a consumer survey. This survey assessed local Central Coast consumer demand, willingness to pay for local meat, and other information relevant to the potential cooperative (Central Coast Home Grown Meat Alliance, 2005). This survey supports and complements those of the 2004 UC Santa Cruz survey mentioned earlier.

The CCHGMA survey was administered to 80 grocery store customers in San Luis Obispo and Santa Barbara Counties. Respondents represented several regions of the
Central Coast, with 21.3% from the city of San Luis Obispo, 21.3% from northern San Luis Obispo County, 30.0% from southern San Luis Obispo County, and 27.5% from Santa Barbara County. Of the respondents, 61.3% were female, 60% were married, and 51.3% were college graduates.

The following results were especially relevant to the formation of a Central Coast beef cooperative:

- 95.1% of the respondents indicated that being able to purchase all of their meat directly from the rancher (“locally grown meat products”) was an “excellent” or “very good” idea.

- 85.1% of the respondents indicated that they would certainly or almost definitely buy a locally produced meat product from the stores where they shop now.

- 97.5% purchased their meat products from grocery stores, compared to 22.5% from natural food stores, 12.5% from farmers markets, and 5% directly from ranchers.

- When asked “What does the phrase ‘all natural grass-fed beef’ mean to you,” more than 70% circled “free range,” “no antibiotics,” “no growth hormones,” and “high quality product.” The characteristics of “ecologically sound,” “not confined to a pen,” and “humane treatment of animals” were each circled by between 43.8 and 52.5% of respondents.

Based on the survey results and some secondary research, the group identified a promising target market of married Central Coast females, between 30 to 54 years of age, with annual income of $60,000 to $100,000, college degrees, and knowledge of health issues and quality brands.

The strong indications of Central Coast consumer interest, as demonstrated by both surveys, show that there is clearly potential for a local beef marketing cooperative in the Central Coast. Here we will provide some useful examples of cooperatives that have succeeded elsewhere, which give valuable insight into factors that could help make a Central Coast cooperative succeed.

In a February 8, 2007 phone conversation with the Promotional Director for Niman Ranch, we obtained relevant information about this successful meat cooperative (A. Geist, personal communication, February 8, 2007). We discussed the benefits to ranchers of being involved with the Niman Ranch cooperative, and the requirements for involvement. Through this conversation, we learned key strategies used by Niman Ranch that could be successfully applied to a Central Coast cooperative.
Cooperative example: Niman Ranch – Bill Niman

In 1970, a Marin County rancher named Bill Niman began partnering with other ranchers who shared similar approaches and characteristics (described below). Largely because of Bill Niman’s reputation, his leadership, and the quality of the meat, the cooperative grew, and news spread by word of mouth. Today, Niman Ranch is a successful business working with over 500 producers. Bill Niman continues to ranch on his original Marin County property.

Each rancher who sells beef through Niman Ranch receives a price premium for his product. According to Geist, this premium is part of the motivation for working with Niman Ranch rather than selling to the commodity beef market, and Geist believes that the higher price helps to keep these ranches viable. The price premium is based on the specific characteristics that are central to Niman Ranch products:

- Traditional family ranching
- Free range cattle (not organic, though, because organic feed is more expensive)
- Maintaining the bond between mother and calf
- No hormones or antibiotics
- Grass fed, finished on grain

The characteristics above distinguish Niman Ranch beef, pork and lamb from most commodity meat. To ensure that their protocols are consistently met, Niman Ranch requires participating ranchers to sign an affidavit, and the cooperative audits the cattle feed once a month to confirm that the animals are grass fed. The cattle are finished in a feedlot to ensure a marbled, standard quality product. The product is consistent because Niman Ranch only partners with likeminded ranchers who tend to meet the protocols described above prior to joining. This point is very relevant for the Central Coast, because many of the ranchers share some key distinguishing characteristics, such as free range cattle with no hormones or antibiotics.

Although the Niman Ranch label indicates no hormones or antibiotics, the ranchers can give a sick cow the necessary antibiotic. Meat from this cow is then sold in a traditional commodity market, and this event occurs in such small percentages that any effects on profits are very minor. In general, Niman Ranch beef is sold in specialty markets through different distributors and brokers, mostly on the west and east coasts. The sales include:

- 70% food service (high-end restaurants)
- 30% retail (Whole Foods, Trader Joes, Wild Oats, online)

Although the supply to restaurants can be from any participating rancher, Niman Ranch assures those clients a consistent supply. In terms of product quality, all of the beef from Niman Ranch is high select and prime. There are no sub-brands or labels, so all of the ranchers need to meet the same requirements. When a rancher partners with Niman Ranch, 100% of his product goes to Niman Ranch. The company wants to make sure that each rancher’s partnership with Niman Ranch is exclusive, so that the rancher’s well-being goes hand in hand with that of Niman Ranch.

The Niman Ranch model is workable, as evidenced by the success of the business. However, other models exist for a cooperative. We examine two more cooperatives in order to show the range of possibilities, and highlight elements that could help the strategy to work in Monterey County.
In a February 8, 2007 phone conversation with a Blackfoot, Idaho cattle rancher named Anita Pratt, we obtained information about a marketing cooperative called Country Natural Beef (A. Pratt, personal communication, February 8, 2007). We discussed Pratt’s reasons for joining Country Natural Beef, and the operations of the cooperative. We also collected additional information about the cooperative from its website.

**Cooperative example: Country Natural Beef – Anita Pratt**

Pratt Livestock is run by Anita, her husband, son and daughter-in-law. The Pratts sold their beef to Niman Ranch for five years, but stopped when Niman Ranch began requiring participating ranchers to take the extra step of cattle feed certification. In 2003, they joined the Country Natural Beef cooperative. They chose this cooperative because it matched their ranching practices, and therefore they did not have to change their operation in order to join. They have been happy with the results, although they have not been with the cooperative long enough to evaluate whether it will increase their profitability in the long term. However, the Pratts believe that working with Country Natural Beef is beneficial for them.

Country Natural Beef is a marketing cooperative composed of approximately 105 ranches (Country Natural Beef, 2006). The majority of the member ranches are in Oregon, with others in Idaho, Hawaii, California, Colorado, Nebraska, Nevada, New Mexico, and Wyoming. According to Pratt, each rancher is a board member and contributes to decisions related to the cooperative business. Additionally, each rancher pays membership fees that contribute to running the business. However, Pratt believes that the benefits justify these fees.

Country Natural Beef is similar to Niman Ranch in many ways but has its own unique qualities. The Country Natural Beef label stands for the following attributes (Country Natural Beef, 2006):

- Family ranches in western U.S.
- Free range cattle
- Compassionate treatment, minimal stress on the cows
- No hormones or antibiotics
- Grass fed, finished on grain in Country Market Beef feedlot
- Third party certification by the Food Alliance for ranching practices
- Third party certification by Steritech for slaughterhouse practices

Country Natural Beef sells beef to (Country Natural Beef, 2006):

- Restaurants in Oregon, Washington, California, Wyoming, and Utah
- Food service companies in Oregon, Washington and Idaho
- High end food markets such as Whole Foods in Oregon, Washington, California, Wyoming, Utah, Alaska, Idaho, Texas, Colorado, Louisiana, Minnesota, New Mexico and Kansas

According to Pratt, one of the primary benefits of selling beef through the cooperative is that ranchers are guaranteed a consistent price per pound. Cooperative clients are primarily concerned with product quality and will pay consistently for that quality. Once the cow is slaughtered, the rancher is paid based on the hot weight of the carcass. Cooperatives may also have a bonus structure in place. A rancher receives a higher price than the base price when a calf meets certain quality expectations. In contrast to the cooperative’s consistent price model, commodity beef market prices fluctuate,
creating more potential risk for a cattle rancher. This fluctuation means that the commodity market can sometimes be as high as, or even higher than, the cooperative price. However, at other times the commodity market price can be lower than that of the cooperative. The real benefit to the ranchers, then, is the elimination of price risk.

According to Pratt, the cooperative also levels out beef quality risk to the consumer. An individual rancher doesn’t always know how her cattle will perform, but the cooperative has a quality assurance program. The quality assurance begins the moment the cows are born and continues until slaughter, which ultimately provides guaranteed product quality to the consumer. This level of attention represents the value that the cooperative adds to the individual ranch operations.

The Country Natural Beef organization provides the ranchers with the benefits of strong marketing as well as information about the cows. A small percentage of the cooperative revenues pay some members for their cooperative marketing and information gathering efforts, tasks that the individual ranchers would not all be able to do as thoroughly. Each cow is tagged from birth to slaughterhouse, so that information about each can be put into a database and tracked over time. The individual ranchers get information back on every calf, helping them to decide on strategic changes and plans, such as where to buy bulls. Before joining the cooperative, the Pratts weren’t able to track how the cows performed, in terms of grading and product quality.

Beyond the business and logistical benefits of the cooperative, Pratt values the connection it provides to other ranchers. Being part of the cooperative, for her, means being involved with a good people, with whom she has a lot in common. She values the opportunity to communicate with and learn from these other ranchers.

Many aspects of Niman Ranch and Country Natural Beef provide good models for a Central Coast cooperative. However, ranchers may be wary of committing fully to a cooperative. The example of Equal Exchange provides a model for sub-brands, reflecting different types of products, as a viable option in a marketing cooperative.

**Cooperative example - Equal Exchange**

Equal Exchange sells products including coffee, tea, and chocolate, and is devoted to the practice of Fair Trade (Equal Exchange, 2007). The Fair Trade label carried by every Equal Exchange product certifies that the product is derived from ecologically sustainable farming practices, and from farmers that were paid fairly. However, some of the products also carry the sub-brand of organic. This organic label brings a price premium but is not a blanket requirement for working with Equal Exchange. As a result, the company doesn’t have to exclude non-organic suppliers. This model could be very useful for Monterey County, in which the ranchers are a diverse group with some key common characteristics but also some different practices.
D.8.4 Key Factors for a Beef Marketing Cooperative

As our analysis has shown, the two core elements for creating a successful marketing cooperative are:

- A target market interested in value added by the cooperative’s product
- Willingness of ranchers to work together for a common goal

Central Coast consumers’ interest in locally grown, humane, and healthy beef represents a substantial business opportunity for a Central Coast beef cooperative. However, the decision of whether to join a cooperative is an individual one. One of the key things for each rancher to evaluate is whether the cooperative could significantly increase his profits. As stated by David Pratt in his overview of ranch profitability strategies: “If we didn’t get paid enough it is either because the market is too low or our marketing is not adequate.” (Pratt, 2000b)

A close look at an individual ranching operation can help determine the primary drivers of its profitability. If gross margin is the weak point for a ranch, and the problem is not the market itself, then marketing is most likely the issue (Pratt 2000b). (See Addendum D-1 for more detail about this type of analysis). In that case, a marketing cooperative could be a good option for the rancher, if it can effectively market the beef’s value and therefore increase the gross margin.

Intelligent business strategizing could help a Central Coast cooperative to effectively market its product and excel in the marketplace. The key would be to identify specific niches of the Central Coast natural beef market where the attributes of beef from local ranchers can create substantial value, permitting the cooperative to price the beef at a premium.

The market competition is from other beef sold at high end food stores and restaurants, with qualities such as natural, grass fed or hormone/antibiotic free. The key distinguishing feature for a Central Coast Beef label is that it would be an alliance of local beef producers. Accordingly, the cooperative could focus on those segments of the market where local food is valued, such as local farmers markets, or anywhere that the Buy Fresh, Buy Local campaign carries weight. Once this niche is saturated, the cooperative could build on its success and possibly expand into markets beyond the Central Coast of California.

Our examples have shown that ranchers elsewhere have adopted strategic partnerships to create successful marketing cooperatives, without having to change their essential ranching practices. A strong collaboration between a large core group of motivated Central Coast ranchers could help the group to address any regulatory hurdles, and successfully create a cooperative.
D.9 Conclusions

A range of strategies exist for ranchers to improve the viability of their ranches. The specific strategies on which we have chosen to focus are conservation easements, ranch tourism, third party infrastructure (e.g., wind turbines), and marketing cooperatives. Each strategy has unique benefits and issues, and will therefore tend to work better for certain ranchers than others. We have attempted to demonstrate some of these important benefits and issues, provide positive examples, and show some of the key factors and rancher traits that can help each strategy to succeed.

By selling or donating a conservation easement, a rancher is compensated for giving up the rights to non-agricultural development. Easements can bring a rancher significant benefits in terms of financial rewards and the ability to maintain the ranch for future generations, but permanently removes the option of selling the land for its highest economic value. Accordingly, easements are best suited to ranchers who value immediate cash more than the possible right to develop, and who value maintaining the working ranch. Additionally, ranchers with a good history of land stewardship practices are stronger candidates for the limited funds available for easements.

While conservation easement funds come from land trusts or government agencies, ranch tourism allows a rancher to generate potentially significant revenue by opening his land to the public. Ranch tourism activities can create new business opportunities and positive interactions with the outside community, but can have initially low financial returns, take resources from the ranch operation, and disrupt privacy. This strategy is therefore most successful for ranch families who are genuinely interested in hosting tourists, have desirable and accessible land, and are willing to hire additional labor or forego some of the ranch operation if necessary.

In contrast to ranch tourism, allowing wind turbines on the land can provide significant revenue with minimal landowner effort or behavior modification. Wind turbines require very little land, and are non-disruptive to livestock. However, wind power development requires addressing a host of issues, including sufficiency of the wind resource, suitability of the land, community opposition, environmental impacts, and local regulations. Wind turbines can be a great source of income for ranchers whose property meets the technical, environmental, political and social criteria.

A marketing cooperative is the one strategy we have analyzed that depends on collaboration among a group of ranchers. Cooperatives are formed when ranchers with similar products and/or ranching practices create an organization to jointly market their products. This collaboration can bring higher income and market power, improve strategic information gathering about cattle performance, and provide a valuable connection to other ranchers. However, the success of a cooperative depends on ranchers’ willingness and ability to collaborate for the common goal, as well as a
strong target market for the product. Based on survey research of Central Coast consumers, there is a target market interested in locally grown, healthy beef. The key remaining ingredient for a Central Coast beef marketing cooperative, then, is a collaborative rancher initiative.

In order to improve ranch viability, a rancher can choose among the strategies we have analyzed, and find the combination best suited to his particular character and situation. These are choices for individual ranchers and their families. We hope that our analyses can provide ranchers and others interested in ranch viability with valuable information to help inform these choices.
Addendum D-1: Ranching for Profit

As the head of the Ranching for Profit school, David Pratt works with ranch owners to help improve their profitability, and has written a series of ranch business strategy articles in *Beef Magazine*. Some of Pratt’s key recommendations for improving ranch profitability tie in well with our discussion of ranch viability strategies. Our discussion includes only those points that are especially relevant to this research project. Those interested in more detailed information about Pratt’s ideas can find a collection of his articles at: http://www.ranchmanagement.com/News___Publications/Articles_by_David_Pratt/articles_by_david_pratt.html

Pratt acknowledges that not every rancher is attempting to make his cattle production profitable, as many people subsidize their ranch through off-ranch sources of income (Pratt, 2000a). A rancher who wants to increase the ranch’s profitability must consider three possible problem areas:

1. **Overhead costs:** These are land and labor related costs. For some ranchers, reducing overhead costs will be the key to increasing profitability.

2. **Gross margin per unit:** Gross margin is gross product minus the direct costs of cattle production. Gross product is a measure of cattle sales, and depends on both the rancher’s purchasing price and the amount produced. Increasing gross margin per unit means making the cattle production more efficient.

3. **Turnover:** This refers to mean cattle units. Increasing turnover can be profitable if the increase in money from cattle sales isn’t overwhelmed by an increase in direct or overhead costs.

The best way to improve ranch profitability is highly dependent on the particular ranch, as each ranch is a different situation. Therefore, each rancher needs to diagnose the weak link in his ranching operation from the list above, and accordingly choose the right type of solution (Pratt, 2000b).

The diagram below illustrates a clear step-by-step set of decisions for making this type of diagnosis (Pratt, 2000b).
A rancher’s conclusion from using this decision tree can be one factor in deciding whether certain strategies are appropriate for his ranch. For example, a rancher might decide that his main profitability issue is high overhead costs for maintaining his land. This rancher could benefit significantly from a conservation easement, because of the tax relief it provides. Another rancher might decide that better marketing of his product is the best way to increase profitability. In this case, joining a marketing cooperative could be an effective strategy.

**Example: Using Pratt’s decision tree for a hypothetical ranch**

**Step 1: Profit driver.**
Low gross margin is a more significant problem than high overhead costs.

**Step 2: Gross margin driver.**
Low gross product is a bigger issue than high direct costs.

**Step 3: Gross product driver.**
Low price received, rather than low production, is driving gross product down.

**Step 4: Price driver.**
The market price for the product (beef) is higher than what the rancher is good, and the reason for not receiving a high enough price is ineffective marketing.

**Conclusion:** The most effective way for this ranch to increase profitability is to improve the marketing strategy.

By going through this process, a rancher can more effectively determine the best way to improve profitability. For example, if the hypothetical rancher had simply worked to decrease overhead, profit would probably not have been significantly increased, because the price received for the product wasn’t enough. However, by focusing on his marketing strategy, the rancher would have a good chance of increasing his profitability.
Addendum D-2: Cooperative Formation

As forming a cooperative might seem to be a daunting task, we will first discuss the basic steps, based on recommendations from USDA cooperative experts. Galen Rapp of the USDA Rural Economic Development Service (1995) recommends the following steps for determining whether forming a cooperative is appropriate, and proceeding if it is.

1. **Determine whether there is an economic need for the cooperative.** Will forming a cooperative potentially help address a problem that individual producers are facing? If the answer is yes, interested ranchers can hold an initial meeting to discuss the formation of a cooperative.

2. **Initial meeting.** The first meeting of interested ranchers can address fundamental issues such as the problems faced by the ranchers, possible solutions that a cooperative could offer, expected costs and benefits of a cooperative, and what types of commitments would be expected of members.

3. **Select an initial steering committee.** The interested ranchers can create a committee of trusted outside people with good business sense, and relevant knowledge of law, finance, and cooperative operations. This committee serves to determine the feasibility of a cooperative, and prepare a specific business plan if the cooperative is ultimately deemed feasible. The initial feasibility study is a crucial step in any new business venture, and we will therefore elaborate on feasibility studies below.

4. **Determine member needs and conduct market analysis.**
   A cooperative can only be considered a success if it meets the needs of its members. Therefore, it is crucial to determine how the cooperative would operate, what would be the expected amount of business, and how willing the potential members are to work collaboratively. The market analysis should be conducted to assess the potential for a successful cooperative, and what the members will need to contribute.

5. **Second meeting/business plan/legal papers/incorporation**
   Having collected information in the initial analysis, the potential cooperative members can meet to decide if they want to go forward with the venture, and possibly commit money to get it off the ground. The next steps are to create a business plan outlining the cooperative venture, and finally to make the cooperative a legally binding entity.

Once interested parties have committed to forming a cooperative, they can meet to establish the bylaws, elect a board of directors, raise the necessary money, and hire a manager and other employees so that operations can begin. However, the process should only get to this point after a sufficient feasibility study, to decide whether the potential benefits of the cooperative are great enough to justify the financial investment and the risks.
Feasibility Study

Forming a cooperative is a long, expensive, and possibly risky process, so investing time and money in a feasibility study makes sense. In fact, most banks and other lenders require feasibility studies. Moreover, the study will help cooperative members gain a realistic picture of the envisioned business, based on an explicit set of assumptions. These assumptions can also be changed, to show how the business depends on each factor considered.

The feasibility study report should be prepared by a knowledgeable outside (neutral) consultant, and should address the following key issues:

- Current state of the project
- Group goals/motivation
- Strategy for accomplishing the goals
- Necessary resources
- Sources of assistance
- Timeline for completion
- Anticipated costs
- Risks

The feasibility study will help to answer important questions about the cooperative before it is attempted. However, the study results alone will not tell whether a cooperative should be formed. The study will provide a picture of the potential business opportunity, so that the interested members can decide if the project is worth their risks and effort.
Addendum D-3: The Blanchard family

The Blanchards are a Central Coast ranching family, and make their living from a diversified production system that includes oranges and avocados, in addition to cattle, sheep, and goats (Old Creek Ranch, 2003). On February 20, 2007, we met with Bowman Blanchard at Old Creek Ranch, and learned about the Blanchards’ unique business model.

Bowman’s grandparents, Bob and Ruth Blanchard, began cultivating oranges shortly after moving to the area in 1949. This was the first commercial citrus operation in the Central Coast, as much of the area is not considered suitable for growing citrus. However, the land happened to be in a suitable climate zone, and the orange production worked well. Soon after, the family began growing avocados and further expanded into livestock. Bowman’s parents continued all of this production, and the family maintains the tradition, with the help of four laborers.

The Blanchards’ production is on two separate pieces of property in San Luis Obispo County. One is a 35,000 acre ranch in Los Osos, of which approximately 16,000 acres are devoted to cattle, sheep and goat grazing. The Blanchards lease this land from PG&E. The grazing portion is divided into approximately 25 paddocks, through which the animals are rotationally grazed. The family employs high density-short duration grazing to promote healthy regrowth of grasses, and habitat diversity. Approximately 150 cattle, 150 sheep, and 150 goats live on the land at a given time.

Additionally, the family owns property in Cayucos, where 25 acres are devoted to growing oranges, and 9 acres to growing avocados. As with the livestock operation, the Old Creek Ranch crop production is based on ecologically friendly practices. No pesticides or other chemicals are used, and chickens are used for soil fertilization. Like any agricultural producer, Old Creek Ranch is vulnerable to weather conditions. However, the Blanchards’ stewardship helps to maintain a healthy ecosystem, which helps the land to rebound more quickly after events such as a freeze.

Since 2004, the Blanchards have sold all of their products locally. Their distribution includes Central Coast stores, and farmer’s markets in San Luis Obispo, Morro Bay, Baywood, Paso Robles, Templeton, Atascadero, Aptos and Arroyo Grande. Prior to this time, the Blanchards sold their animals to packing houses and their crops to large distributors. Their new methods have increased some costs, while decreasing other costs and increasing revenues. For example, while they have eliminated their pesticide costs, they have incurred the costs of labor and processing of crops. However, they are able to receive more money for their products with their local direct marketing. While their financial bottom line might be similar to that of their previous methods, the Blanchards report that their current methods bring the less tangible benefits of feeling good about the improved ecological sustainability of their operation.
D.10 References

California State Legislature Assembly Bill 1258 (1999).

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Conserving Monterey County’s Ranchland—Profitability Strategies


