

# **The Local Monetary Costs of the Wallowa-Whitman National Forest in Wallowa County, Oregon to Cattle Grazing**

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This analysis was done in response to the potential injunction requested by the Center for Tribal Water Advocacy in July 2006 which could remove all grazing from National Forest lands in the county, particularly those permittees under the Joseph Creek Allotment Management Plan (AMP). It is intended to discuss several of the key findings in layman's terms. A copy of the complete analysis is available from the Wallowa County Extension office, 668 NW First Street, Enterprise, OR. (541) 426-3143.

The analysis is for the cattle grazing in the Joseph Creek AMP area of the Wallowa-Whitman National Forest in Wallowa County. It is based on information received from the Forest Service and a group of local permittees. This study estimates the private producer impacts of reduced availability of public grazing land and is combined with the county-wide economic impacts which are summarized in *Potential Wallowa County Economic Impacts of the Reduction or Elimination of Cattle Grazing in the Joseph Creek Rangeland Analysis Area (JCRAA)* by **Bruce Sorte, OSU Extension Economist and John Williams, OSU Wallowa County Extension Staff Chair.**

Following are the facts and assumptions the analysis is based on:

It is estimated that 4,200 cattle are owned by the 12 permittee holders of active Forest grazing permits in the Joseph Creek AMP area. There are approximately 2,100 cows from these permittees that spend time on the Wallowa Whitman Forest at some time during the year. During the month of August (when the gathering would occur) there are approximately 2,100 cattle on the permits.

If the cattle are removed (2,100 head) 1,460 of those that graze during some part of the year on the Forest would have to be liquidated before winter. The other 640 would require additional feed for approximately three months but only in 2006.

Number of Permittees:	12
Number of total Cattle owned by dependent ranches	4,200
Number of Cattle that spend time on Forest during the year	2,100
Number of Cattle on federal land in August 1994	2,100
Number of Cattle sold due to loss of federal grazing land use	1,460

## **Gathering and Marketing**

Since the gathering of the cattle would occur during the haying and harvest season additional labor would be required (\$21,000). There would be additional trucking costs for the liquidation of the breeding stock (\$3,150). There is also additional pasture or hay cost for the cattle removed but not sold, immediately \$118,580. Total additional cash costs are \$142,730. (Table 1).

\*This study is based on the methodology and format originally developed by Fred Obermiller in the 1990 report – The Local Monetary Costs of the Wallowa Whitman National Forest in Wallowa County, Oregon to Cattle Grazing.

**Table 1. One-Time-Only (CY 2006) Projected Financial Costs to the Federal Land Dependent Subsector in Wallowa County, Oregon Due to Forced Sale of Livestock Ordered Removed from Wallowa-Whitman National Forest Grazing Allotments\***

**PRELIMINARY AND SUBJECT TO CORRECTION**

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Forced Additional Herd Liquidation Cash Costs (dollars)

Labor and Marketing Costs

Gathering 2,100 Head of Stock prior to late fall, 2006 <sup>1</sup>	\$21,000
Trucking Liquidation Herd (1460 Cows and 58 Bulls) to Market <sup>2</sup>	\$3,150
<i>Total Additional Labor and Marketing Costs</i>	<i>\$24,150</i>

Additional Pasture and Hay Costs for Retained Stock

Cow-Calf Pairs between September 1 and November 1, 2006 <sup>3</sup>	\$112,100
Retained Bulls between September 1 and November 1, 2006 <sup>4</sup>	\$6,480
<i>Total Additional Pasture and Hay Costs</i>	<i>\$118,580</i>

*Total Additional Cash Costs* \$142,730

Forced Additional Herd Liquidation Account Costs (dollars)

Additional Losses in Value of Liquidated Stock

Bred Cows Valued at \$1050 Per Head but Sold as \$420 Per Head Culls <sup>5</sup>	\$805,770
Herd Bulls Purchased for \$2,200 in 2005 but Sold as \$900 Cull Bulls <sup>6</sup>	\$75,400
Underweight Calves Sold as Weaners in 2006 <sup>7</sup>	\$178,677
<i>Total Additional Stock Liquidation Value Losses</i>	<i>\$1,059,847</i>

*(continued on following page)*

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<sup>1</sup> Additional labor costs are for hired hands at \$10.00 per head gathered. Of the hired hands 30% are local (Wallowa County) and the remaining 70% are nonlocal (nearby counties and states).

<sup>2</sup> Additional trucking costs are for the forced sale of breeding stock, above and over costs normally experienced due to routine sales of calves and culls. These trucking to sales market costs are estimated to be \$4.50 per head. It is estimated that 20% of the truckers would be local (Wallowa County) and the remaining 80% would be nonlocal (nearby counties and states)

<sup>3</sup> Pasture rental and/or hay purchase at \$20.00 per pair per month or \$40/month for Hay for 2,100 pairs (all in Wallowa County).

<sup>4</sup> Pasture rental and/or hay purchase at \$30.00 per bull per month or \$40/month for Hay for 200 bulls (all in Wallowa County).

<sup>5</sup> Culls are estimated to weigh 1,050 lbs. and are sold for \$0.40 per pound. The bred cow price is the prevailing market price in Wallowa County at this time. All sales are assumed to be made to out-of-county buyers.

<sup>6</sup> Assumes an average selling weight of 1,800 pounds and price of \$0.50/lb. All sales are assumed to be made to out-of-county buyers.

<sup>7</sup> Assumes an average selling weight of 350 lbs. and selling price of \$1.20/lb. All sales are assumed to be made to out-of-county buyers.

**Table 1 (continued). One-Time-Only (CY 2006) Projected Financial Costs to the Federal Land Dependent Subsector in Wallowa County, Oregon Due to Forced Sale of Livestock Ordered Removed from Wallowa-Whitman National Forest Grazing Allotments\***

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Additional Calf Death Loss <sup>9</sup>	\$37,422
<i>Total Additional Costs</i>	<i>\$1,264,149</i>
Additional Income Taxes <sup>10</sup>	
Federal	\$76,443
State	\$27,009
<i>Total Additional Income Taxes</i>	<i>\$103,452</i>

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<sup>9</sup>Represents a 3% death loss on a total calf crop prematurely removed from the Wallowa-Whitman numbering 2,100 (95% of the cows removed are assumed to have calf at side), or 57 head weighing 550 lbs. and valued at \$660 per head (\$1.20 /lb.).

<sup>10</sup>The net income was calculated taking the premature sales ; cows - \$537,180 + bulls - \$52,200 = \$589,380 minus the extraordinary costs; gathering and trucking - \$24,150, pasture and hay - \$118,580 and calf death loss - \$37,422. The net income additional income in 2006 is \$409,228. A 6.6% tax rate is used in calculating additional Oregon income taxes due for CY 2006, and a 20% marginal rate is applied to CY 2006 Federal income taxes due for net additional receipts from the 2006 forced herd liquidation.

**Table 2. Projected Perpetual Revenue Losses in the Wallowa County, Oregon, Federal Land Ranching Subsector Assuming Elimination of Grazing Privileges on the Wallowa-Whitman National Forest \***

**PRELIMINARY AND SUBJECT TO CORRECTION**

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Carrying Capacity (head)

Number of Brood Cows<sup>12</sup> and Herd Bulls

Cows on Local Ranches with Grazing Permits	4200
Cows Grazed on JCAMP Permits	2100
Cows Sustainable without JCAMP Grazing Permits	2100
Net Cow Displacement if JCAMP Permits Withdrawn	1800
Bulls on Local Ranches with Grazing Permits <sup>13</sup>	168
Bulls Grazed on Permits	84
Bulls Needed if Permits Withdrawn	93
Net Bull Displacement if Permits Withdrawn	75

Number of Calves Available for Sale

From Cows Currently Grazed on JCAMP Permits <sup>14</sup>	1995
From Cows Retained if Permits Withdrawn <sup>15</sup>	285
Net Calf Displacement if Permits Withdrawn	1710

Annual Value of Foregone Cattle Sales (dollars)

Displaced Calves (@ \$660/head) <sup>16</sup>	1,128,600
Displaced Cull Cows (@ \$530/head) <sup>17</sup>	170,100
Displaced Cull Bulls (@ \$900/head) <sup>18</sup>	1,314,090

Present Value of Foregone Cattle Sales (dollars) for 25 years

At 6% Discount Rate	\$35.5 million
At 8% Discount Rate	\$30.1 million

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<sup>12</sup>Cows include yearling replacement heifers usually retained on base property.

<sup>13</sup>Assumes a 25:1 cow-to-bull ratio.

<sup>14</sup>Assumes a 5% weaning rate relative to cow exposure. Two permittees are taking nonuse. This year, would assume return of additional 500 calves in future.

<sup>15</sup>Assumes a 92% weaning rate relative to cow exposure.

<sup>16</sup>Assumes average selling weight of 50 lbs. at \$1.20/lb.

<sup>17</sup>Assumes an average selling weight of 1050 lbs. at \$0.40/lb. and a 15% culling rate.

<sup>18</sup>Assumes a 1,800 lb. selling weight at \$0.50/lb. and a 25% culling rate.

**Stock Liquidation**

The sale of the cows and bulls which would usually be sold as breeding stock will be as hamburger culls, which is at a much lower price than breeding stock. In addition, the sale of the

calves when they are lighter would reduce ranch revenues in 2006. The loss due these sales is \$1,059,847.

Moving the livestock from the high mountains down to the dryer, hotter private land in the heat of the summer will increase death loss in the calves. This is estimated at an additional 3% death loss. (Table 1)

### **Total costs 2006**

The total additional cost of gathering, marketing those cattle sold and the feed cost of those cattle retained is \$142,730. The stock liquidation value loss and increased death loss of removing cattle from the public lands is \$1,097,269. The additional income tax estimates is \$103,452. All these costs are incurred in 2006. (Table 1)

### **Long term costs**

The future foregone Wallowa county cattle sales is based on the reduced carrying capacity of permittees (by 2,100 head) and the expected reduction in weaning rate due to the loss of high mountain pastures during the heat of the summer. This annual loss of \$1,314,090 would persist at least as long as the JCAMP area of the National Forest remained closed to cattle grazing. (Table 2)

### **Perpetual Impacts**

The effects of reduced overall cattle capacity, due to loss of grazing privileges on the JCAMP, were evaluated in two stages. The first stage is the temporary or one time only adjustments of gathering, cattle sales and the associated economic activity. During this time there are both increased spending and revenue, however, the increase in revenue much lower than it normally would be if the cattle were after maturing in the fall and if breeding stock could be sold at full value.

The second stage is that time after the liquidation expenditures had ceased and the economy would remain at a reduced level of activity. This analysis has not projected the extent to which the permittees could offset their long term income losses from the reduced sales. These ranchers are over 50 years old and while they may ranch well into their 70's, the likelihood that they would retrain for other occupations is low. Many of the permittees would be expected to retire early on a much reduced income or attempt to continue to ranch a much smaller operation that would not supply an adequate income.

During the first period (through 2006) the federal land dependent ranches would lose roughly \$55,781 in gross sales per ranch. The local per capita personal income for all of Wallowa County residents would decrease \$56. Also during this first period the local gross economic activity would fall by \$1.8 million in sales.

During the second period (after 2006) the federal land dependent ranches would lose roughly \$79,000 in annual gross sales per ranch. The local per capita personal income for all of Wallowa County residents would decrease \$114. The local gross economic activity for all of Wallowa County would fall by \$3.5 million.

## **Miscellaneous**

There are many things that are of economic importance that were not included in this analysis. Two of these of major importance are:

The cattle that would be sold are the genetic base that these producers have spent considerable time and money developing. They are cattle familiar with the county and know where the water holes, salt licks, and gates are placed. This not only makes the ranchers ability to manage easier it also improves distribution of livestock and aids in proper watershed management.

The fact that many of these ranchers will not be able to survive with the reduced carrying capacity will force some of them out of business is not analyzed. While some properties may be combined, some current ranchers may be permanently dislocated.