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PROPERTY RIGHTS ON WESTERN RANCHES: FEDERAL RANGELAND
POLICY AND A MODEL FOR VALUATION

BY

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A dissertation submitted to the Graduate School
in partial fulfillment of the requirements
for the degree
Doctor of Philosophy

Major Subject: Range Science

Minor Subject: Agricultural Economics

New Mexico State University

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ABSTRACT

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Although numerous authors have speculated about permit-value, leasehold interests, and production-input costs above grazing-fee costs, federal policy as to what constitutes property value on federal land ranches has never been fully examined. Federal laws and policy were analyzed to determine what basis exists for property rights claims on Western ranches. Laws from the 1800s and 1900s granted split-estate interests in water rights, rights of way, improvements and grazing values. Later statutes provided for the issuance of permits authorizing development of additional improvements, water rights, and rights of way. FLPMA repealed earlier statutes, protected prior rights, and required compensation for ranchers' improvements, water rights, forage, and rights of way when grazing permits are cancelled.

Conventional appraisal methods fail to consider highest-and-best use and replacement cost when evaluating split-estate ranches. A five variable valuation

model incorporating: 1) water rights, 2) rights of way, 3) range improvements, 4) grazing value, and 5) patented lands, was developed. The model was applied using the case study approach to a controversial ranch in central Nevada. The model, emphasizing highest-and-best use and the replacement cost depreciated approach, was compared to the conventional valuation method that emphasizes sales comparison and income capitalization. The model indicated a fair market value from 4.5 to 150 times greater than that derived from the conventional valuation approach. The difference in values appears primarily due to the failure of conventional appraisal methodology to consider alternative highest-and-best use value of water rights (in this case for quasi-municipal use). Conventional appraisal methods also fail to consider the value of ranchers' range improvements and rights of way associated with the water rights, range improvements and patented lands. It also appears that government regulatory actions may be exerting undue stimulus to create artificially low market values.

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