

WORKING FOR MONTANA



AGRICULTURE

**Economic Benefits of
Conservation Easements
for
Montana's Farms, Ranches,
and Communities**



About This Report

This report is written for the people of Montana, especially those Montanans who value the state’s agriculture industry, open land conservation, and the economic importance of open lands. Agriculture is Montana’s number one industry, a \$5 billion industry responsible for over 30,000 jobs, and Montana’s roughly 27,000 farms and ranches on 58 million acres produce food to feed Montana, America, and the world. These acres also provide critical wildlife habitat for a broad range of Montana species.

Approximately 3 million of those open land acres are conserved through conservation easements. This report will focus on the economic value of those conservation easements.

Specifically, this report centers upon the federal Farm Bill and the United States Department of Agriculture’s Agricultural Land Easement (ALE) program and the ALE economic contributions to Montana. The report’s name says it all:

Working for Montana Agriculture: Economic Benefits of Conservation Easements for Montana’s Farms, Ranches, and Communities

The Natural Resources Conservation Service (NRCS) in Montana, the Montana Association of Land Trusts (MALT), and the Heart of the Rockies Initiative are the leaders of this report.

Electronic copies of this report and associated reports are available on mt.nrcs.usda.gov or on the MALT website at montanalandtrusts.org.

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*Front cover photo: Alexis Bonogofsky / The Montana Land Reliance.
Background photo back cover: USDA Natural Resources Conservation Service.*



Spring conservation easement. Photo: Gallatin Valley Land Trust.

Private Land Conservation: Multiple Benefits to Production Agriculture and Montana's Economy

For over 45 years, Montanans have discussed—and over time generally understood—the conservation value of conservation easements. Montana's roughly 3 million acres of conserved farm and ranch ground provide conservation of agricultural land and wildlife habitat; protection of clean water in rivers, streams, and wetlands; opportunities for outdoor recreational access; and protection of our wide open spaces.

What has not been discussed—or not nearly discussed enough—is the economic value of conservation easements...the economic value of conservation easements to Montana farm and ranch families, rural main streets, local communities, Montana's agriculture industry, and Montana's economy. Conservation of open land creates an asset in Montana that gives us a competitive edge over other states.

A conservation easement is the use of a private property right to create a voluntary agreement between a landowner and a land trust (or public agency) that generally restricts development of the land while ensuring the land is permanently available for agricultural production. A land trust is a nonprofit organization whose mission is to partner with landowners to conserve land and serve communities. Under the terms of conservation easements, the landowner and land trust agree on the goals of the easement based on the landowner's vision for their property, and the land trust agrees to help ensure that vision stays consistent into the future.

An initial quick look at the data is revealing. Since the implementation of the 2014 Farm Bill, 92 Agricultural Land (ALE) program conservation easements in Montana have provided a \$109 million infusion into farm and ranch operations, supporting Montana's economy. Of that amount, \$47.1 million has been utilized to strengthen the short- and long-term financial health of farm and ranch operations through purchase of land. Landowners allocated nearly \$43 million to reduce debt, which also supports farm and ranch expansion and solidifies family succession planning. \$14.4 million was spent on farm and ranch equipment and supplies. The \$109 million ALE investment yielded \$182 million in economic impact in the state, supporting 1,057 jobs and \$41.5 million in largely rural Montana labor income.

While this report will focus on the Farm Bill and ALE program conservation easements, it will not focus exclusively on the ALE program. To help tell a more accurate and complete story of the economic value supplied by land trusts, landowners, and conservation easements, we will additionally provide information about the economic contributions of other selected projects in Montana that illustrate the value of trails, parks, nature areas, and other projects that benefit communities and local economies through land conservation successes. The many federal, state, and non-governmental easement programs conserving agricultural land, wildlife habitat, and open space are impossible to encapsulate in one short document.

Thank you for your interest in Montana's agriculture industry, our state's economy, and private land conservation. We hope you find this report informative and useful, and we at MALT and the NRCS would like to express our appreciation to the thousands of Montana landowners who have partnered with land trusts to conserve farms and ranches.

Gavin Ricklefs
Board President
Montana Association of Land Trusts

Tom Watson
State Conservationist for Montana
Natural Resources Conservation Service

Montana Agricultural Conservation: Keeping Farms and Ranches as Farms and Ranches



Photo: Alexis Bonogofsky / The Montana Land Reliance.

Why is private land conservation so successful in Montana?

One reason is our open land statute, the Open-Space Land and Voluntary Conservation Easement Act, passed by the Montana Legislature in 1975. The Act is respectful to landowners, centered upon private property rights, with a clearly defined—and limited—government role within the process of creating a conservation easement.

Another reason is the stewardship ethic of Montana farmers and ranchers. A conservation easement, in simple terms, is the use of a private property right to create a voluntary, negotiated, permanent agreement between a landowner and a land trust (or public agency) that limits development and maintains open land.



Photo: USDA Natural Resources Conservation Service.

In addition, Montana is a nationally recognized leader in private land conservation, in both the quantity and the quality of the conservation easements they create with cooperative landowners. It should be pointed out land trusts are not anti-development. They are pro-open land.

A conservation easement reflects a commitment by a farmer or rancher to honor the ongoing agricultural legacy of the property and to continue that farm or ranch heritage into the future. The land trust's job is to ensure the landowner's vision for their property, as articulated within the conservation easement, is maintained into the future. Simply put: A conservation easement helps farm and ranch lands stay farm and ranch lands and stay in farm and ranch hands.

In addition, Montana's vast and diverse landscape, coupled with our relatively small population, offers millions of acres of existing open land...farms, ranches, forests...compared to many other states.

Roughly 2,600 existing conservation easements in Montana conserve 3 million acres of farm and ranch lands. That makes Montana the top conservation easement state in the nation, with more acres of conserved private land than all four neighboring states combined.

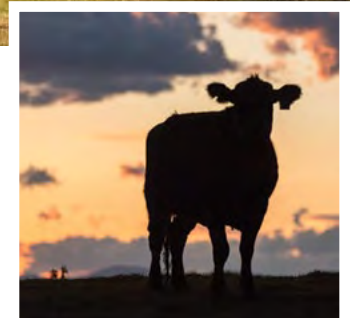


Photo: Laura Verhaeghe Photography.

These open lands, these conservation easements, and our diverse recreational opportunities create an economic asset for Montana that gives us a competitive advantage: People want to bring and create jobs here.

There is a notion that because conservation easements conserve open land, and more acres are conserved each year, that the number of acres of open land increases each year. That is not true. Each year open land acres—acres available for agricultural production—decrease. Virtually every day in Montana someone, somewhere, converts agricultural lands to other purposes. Since 1990, across Montana, 1.3 million acres of undeveloped land—most of it agricultural—have been converted to housing.

It is no secret Montana's population is growing, housing developments are expanding, and the land we depend on to grow our food is shrinking.



Photo: Jason Savage / The Montana Land Reliance.

Farm Bill ALE Program

Which is where the Agricultural Land Easement program (ALE) comes in. It was created by Congress and implemented with the 2014 Farm Bill. The specific intent of the ALE program is to forge a voluntary cooperative partnership between the NRCS, landowners, and a land trust to keep farm and ranch lands in farm and ranch hands.

The NRCS staff ranks projects within each participating state, and each year individual states receive funding allocations for program implementation. The ALE program is intended to maintain and enhance America's food supply, by maintaining the lands that

produce food, and making it possible for Montana farm and ranch operations to continue helping feed America and the world.

Other Opportunities

And while the USDA Agricultural Land Easement program is the focus of this report, there are other conservation easement programs for landowners to consider. Four counties—Ravalli, Gallatin, Missoula, and Lewis & Clark—have passed voter-approved open land bonds or mill levies in support of local agriculture, conservation, and outdoor recreation. The Habitat Montana program, within the Montana Department of Fish, Wildlife & Parks, has funded conservation projects

throughout Montana with landowners for over 30 years. The Montana Sage Grouse Habitat Conservation Program, created in 2017, has a conservation easement component that conserves greater sage-grouse habitat on private lands. Other entities, such as the US Fish & Wildlife Service, also have conservation easement opportunities within their programs.

Regardless of the program, at the core of every conservation easement is a landowner commitment to retain land in agricultural production, and it's that commitment that makes Montana private land conservation so successful.



Photo: Jason Savage / The Montana Land Reliance.

Farm Bill Conservation Easement Investments Strengthen Montana's Economy

By Michele Archie, The Harbinger Consultancy

Between 2014 and 2021, the Natural Resources Conservation Service (NRCS), Montana's land trusts, and agricultural landowners teamed up to invest \$109 million (2021 inflation-adjusted dollars¹) from the Farm Bill Agricultural Land Easement (ALE) program to permanently protect 289,000 acres of farm and ranch land across 22 Montana counties.

Over the course of those eight years, every federal dollar of conservation easement financing invested in Montana's farms and ranches through the ALE program yielded \$1.89 of economic activity. All told, this \$109 million investment:

- Produced a total economic impact of \$182 million,
- Supported 1,057 local jobs and \$41.5 million in labor income, and
- Contributed \$99 million to the state's GDP.

Montana's land trusts leveraged federal dollars to receive local, state, and private funds for conservation easements. From

2014 through 2021, roughly 60¢ of value from other sources, including landowner donations, combined with each dollar of federal funding to support 92 ALE program conservation easements with a value exceeding \$173 million.

How we calculated these impacts

We based the Montana impact analysis on a 2018 study of the economic impacts of federal agricultural easement programs within the state of Colorado.² Colorado State University agriculture and natural resource economist Andrew Seidl and his coauthors surveyed farmers and ranchers to estimate how they invested the easement payments they received from the ALE program and conducted an IMPLAN-based analysis to estimate total economic activity from those expenditures.

The seven Montana land trusts that have coordinated ALE-funded easements³ were essential partners in our analysis. During the two to three years an ALE project takes to go from its inception to closing, land trust staff forge close

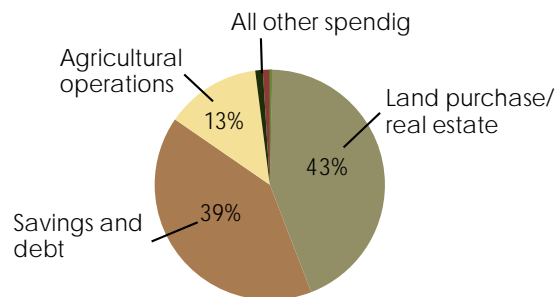
working relationships with landowners, helping them craft an easement that helps them meet their financial needs and vision for their farm or ranch operations. Land trust staff are well positioned to estimate how Montana farmers and ranchers have invested their ALE payments. Consulting with land trust staff enabled us to produce aggregated estimates for all of the ALE easements executed in Montana from 2014 through 2021.

Before estimating economic impacts, we used the USDA Economic Research Service Rural-Urban Continuum Codes to confirm that, as in Colorado, Montana's easement payments went predominantly to rural counties. We obtained the sector-by-sector economic impact model from the lead author of the Colorado study and applied these multipliers to our Montana spending estimates to generate economic impact estimates for ALE payments to Montana farmers and ranchers.

For the full technical report, including citations, see the NRCS or Montana Association of Land Trusts websites.

How Montana Landowners Invested their ALE Easement Payments (2014-2021)

Investment Category	Percent	Amount
Land purchase/real estate	43%	\$47,110,000
Savings and debt	39%	\$42,904,000
Investment in agricultural operations	13%	\$14,456,000
Non-business related goods	1%	\$1,398,000
Diversification	1%	\$1,104,000
Other/charity	<1%	\$605,000
Education	<1%	\$136,000



Note: Percentages do not total 100 due to rounding errors and buyout payments to out-of-state family members.

¹ All dollar figures are reported in 2021 inflation-adjusted dollars.

² Andrew Seidl, Ryan Swartzentruber, and Rebecca Hill. 2018. Estimated Economic Impact of Federal Agricultural Conservation Easement Programs (ACEP) on Colorado, 2009-2017. July 2018. Colorado State University. 32 pp.

³ The Montana land trusts consulted for this study include Bitter Root Land Trust, Five Valleys Land Trust, Flathead Land Trust, Gallatin Valley Land Trust, Montana Land Reliance, The Nature Conservancy, and Vital Ground.



Bob Sutherlin cranks up his tractor on the family ranch between Corvallis and Stevensville. Photo: Perry Backus, Ravalli Republic.

Since 2014 the Farm Bill's Agricultural Land Easement program has provided an economic impact of \$182 million to Montana farm and ranch families, rural main streets, Montana's agriculture industry and Montana's economy.

Insights beyond the impacts

Another important benefit of conservation easements is that they promote continued agricultural use, forest stewardship, and forest health, securing land for production agriculture that may otherwise be vulnerable to residential and commercial development. Since 1990, across Montana, 1.3 million acres of undeveloped land—most of it agricultural—have been converted to housing. Nearly half the homes built since then have been constructed on lots that average larger than 10 acres. One quarter of all homes in Montana

have been constructed since 2000.⁴ Most residential development in Montana has been on land that was formerly in cropland and rangeland use.⁵

Our research suggests that recipients of ALE agricultural easement payments invest more than 95 percent of these funds directly into agricultural operations and expansion, business stability, and succession planning. In addition to keeping Montana farm and ranch lands in agricultural use in perpetuity, easements enable agricultural landowners to leverage their most significant asset—their land—to make investments that help secure the future of agriculture and agricultural communities in Montana.

Estimates developed by land trust staff show that about 20 percent of ALE funds are used to buy out ownership interest in agricultural businesses that was split amongst family members through inheritance. Consolidating ownership helps stabilize and secure the future of

“We’re going to add to the farm with what we got from the land trust,” Bob Sutherlin said. “We’re not going out and buying a new Cadillac. We’re going to add land to it. We want to farm. He (their son) wants to farm and I have three grandsons who might want to farm too.”



farm and ranch businesses that could otherwise fall victim to family disputes over farm management and distribution of assets. Regardless of the program, at the core of every conservation easement is a farmer’s or rancher’s commitment to retain land in agricultural production, and it’s that commitment that makes Montana private land conservation so successful. The stories and profiles in this report illustrate that commitment.

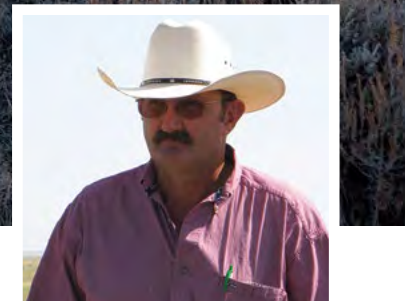
⁴ Headwaters Economics, based on an analysis of county tax assessor data through 2018.

⁵ Dan Bigelow, Land Use in Montana: A Current Snapshot and Recent Trends, Dec. 2020

Agricultural and Conservation Innovation on Montana's Northern Great Plains



A new day dawns on the Second Creek Ranch grasslands. Photo: The Nature Conservancy in Montana.



Dale Veseth, of Veseth and Veseth Livestock, is a partner in the Second Creek Ranch project. Photo: The Nature Conservancy in Montana.

After a series of quiet kitchen table conversations between The Nature Conservancy in Montana (TNC) and a trio of Phillips County ranchers, their visionary cooperation produced an NRCS ALE conservation easement that achieved important ranch operation benefits and critical conservation of native wildlife in Montana's Northern Great Plains.

TNC has long been a Northern Great Plains conservation and agriculture innovator with projects such as their Matador Ranch Grassbank. With this new transaction, their creativity resulted in over 13,000 acres of conserved north-central Montana ranchlands.

TNC purchased the 4,300-acre Second Creek Ranch in 2019, and rather than retain ownership of the property, they sold portions of the land to three neighboring ranch families. An ALE conservation easement was an essential component of the effort, strengthening

the ranch operations of all three landowners by providing better access to water, improving grazing systems, and expanding areas for livestock grazing.

"The project opportunity was based on the trust we've forged with the ranching community," says TNC Grassland Conservation Director Brian Martin. "We're glad to have these grasslands in the hands of ranch families with a demonstrated commitment to conservation. It's an example of solid ranch economics and impressive conservation made possible in part by the Farm Bill (ALE).

These Montana Northern Great Plains ranchlands, which are intermingled with extensive public lands, feature a rich mix of native prairie and big sagebrush grassland as well as more than 700 acres of wetlands. The project area harbors several important and/or declining bird species including greater sage-grouse, burrowing owl, ferruginous hawk, long-

billed curlew, and chestnut-collared longspur. Its wetlands provide vital nesting habitat for waterfowl and other wetland birds, while the uplands are important winter and summer range for pronghorn and mule deer.

"In addition to conservation of the suite of grasslands species, ALE directly assists the ranch families involved by solidifying their individual operations, helping avoid debt, and helping the next generation of family ownership," added Martin.



Continuing a Ranch Tradition in the Bitterroot



Dan and Sari Kerslake, ranchers in the Burnt Fork. Photo: Mark Payton Photography.

Hattie Farrell, a Burnt Fork area legend who farmed and ranched with her (now deceased) husband George since 1963, grew up on a large cattle ranch and remains committed to maintaining agriculture in the Bitterroot Valley.

Like everyone in the Bitterroot, she has seen population growth, agricultural lands lost to development, and a local \$38 million agriculture industry—together with the valley's farm and ranch legacy—jeopardized by family agricultural operations lost one at a time, month by month, year by year.

To Hattie, the issue is not complicated: "We should save all the ranch land we can," she says. And for Hattie, it's personal. After her parents passed away, the ranch she grew up on was subdivided and sold as 40-acre lots.

Once a ranch like that is lost, she says, "you never get it back."

In the Bitterroot, Hattie and George operated a dairy, which evolved into a beef cattle operation. The average age of a current Bitterroot rancher is 61, and

when it came time for Hattie to turn the reins of the property over to someone else, she wanted the land to remain farm and ranch ground.

And thanks to her commitment to family agriculture, it will. In 2016, Hattie worked with Bitter Root Land Trust and a local bank to conserve the ranch through a conservation easement that enabled a local young couple—equally committed to agriculture—to purchase the property and keep the land in agricultural production. The Ravalli County Open Lands Bond Program, approved by county voters in 2006, helped fund the conservation easement.

Dan Kerslake and his wife Sari, both have local "day jobs" but both have ranching in their blood. They had leased Hattie's property but purchasing typical Bitterroot farm and ranchlands was priced above their paychecks. The conservation easement, by extinguishing development rights, reduced the cost of the property, and Dan and Sari were able to become new ranch owners in the Burnt Fork. They now use Hattie's 93 acres as the core of the Kerslake

All with one eye toward the future. Sari says, "Dan and I think about who will come after, and if we have kids someday—or not—we'll find someone who wants to keep this going."

Ranch and have expanded operations to include more commodities and ranch income options. The conservation easement made the generational ranch transfer possible, keeps a family on a family ranch, helps provide local food supply and security, and helps support businesses in the valley that serve agricultural producers. The conservation easement was the cornerstone of the solution that kept farm and ranch lands in farm and ranch hands.

The Bitterroot Valley is losing agricultural land to other uses. But thanks to Hattie, Dan and Sari, Bitter Root Land Trust, a local banker, the county open lands program, and a creative conservation easement, the Kerslake Ranch will maintain a Bitterroot farm and ranch legacy long into the future, and, more importantly, produce agricultural goods for valley residents and beyond.



Conservation Easements in the Potomac Valley: Important to Agriculture and to Community



Photo: Five Valleys Land Trust.

Most everyone understands how conservation easements help agriculture, now and for the long run.

What Denny Iverson wants you to understand is that by helping agriculture,

conservation easements also help local communities.

Denny and his brother Les arrived in Montana's Potomac Valley in 1975, coming from Minnesota, carried here



Photo: Five Valleys Land Trust.

by the dream of their father to move to Montana. Denny says plainly: "Dad just wanted to get to Montana."

But the Montana dream turned into the reality of economic rural survival. Denny, in his teens, worked long hours at the home ranch and also signed on to work at a neighboring ranch. In addition, Denny and Les "worked for wages" in Blackfoot Valley forests for 35 years, running logging equipment.

Along the way, Denny married Charlotte, and two kids came along, daughters Courtney and Ashley, both grown now, both with kids of their own. And over the years, as their families grew, so did the Iverson Ranch. They added small neighboring parcels to the operation, and the Iverson Ranch now includes a portion of the ranch Denny worked on when he was a teenager. Les and his wife, Sue, have remained partners in the Iverson Ranch operation.



Denny and Charlotte Iverson in winter. Photo: Montana Association of Land Trusts.



Photo: Nelson Kenter / Five Valleys Land Trust.

Denny and Charlotte also placed conservation easements on their property, working with Five Valleys Land Trust, the NRCS Agricultural Land Easement (ALE) program, and the Missoula County Open Land Program. The easements were designed to accomplish specific goals: Keep the land in agricultural production, secure the ranch's economic viability, help provide a path for kids and grandkids to return home, and maintain the character of the Potomac Valley.

Denny expresses it more succinctly: "We don't want to see the valley all chunked up, carved up into twenties (20-acre lots)."

The expanded Iverson Ranch operations enabled something Denny's father would likely appreciate. After attending schools in Potomac and Missoula, and leaving Montana for career opportunities, Denny's daughter Courtney, her husband Jeff, and their kids, Cooper, Ella, and Madi, have returned home. Courtney, a family practitioner and obstetrician, and Jeff, a West Point graduate who is now a computer networking specialist, have transitioned into ranch ownership

and management. Les's and Sue's son Justin and daughter-in-law, Jennifer, also returned home to the Potomac after living in Oregon and help manage and operate the ranch.

"Any landowner's dream is that the kids take over someday," Denny says. "But to accomplish that the ranch needs to expand, and the conservation easements helped us make that expansion possible."

And that not only benefits family ranches. It benefits rural communities. "That conservation easement money stayed right here in the community," says Denny.



Denny Iverson and grandkids. Photo courtesy of Iverson Family.

"It's important to understand that when the kids came back, they brought their careers with them," Denny adds. "And just as important, they brought the income from those careers into the local community. There's not enough recognition about how important this is for local communities."

"It's huge," adds Charlotte. "We always hoped they'd return to the ranch and to the community. Their involvement in the community is wonderful."

The kids who've returned home are active within the community, which includes serving on the local volunteer fire department and school board.

"Our place is good productive agricultural land," Denny says. "The land we added is not just agricultural land, but good productive agricultural land. The conservation easements helped make that possible, and with those easements in place the decision is already made for those lands to stay in agriculture."

Oxbow Cattle Company: Local Beef, Local Markets



Wendy Morris of the Oxbow Cattle Company. Photo: Bart Morris.

Bart Morris.

“It’s ag land that we use to provide locally grown beef for the community of Missoula. As long as we’re here, it will always be preserved, but even beyond us, it will stay in agriculture and remain open space.”



One almost universally understood impact of the COVID pandemic has been the disruption of supply chains and concerns about local and national food security. While Montana has generally passed the pandemic food distribution stress test, ranch operations like the Oxbow Cattle Company near Missoula are welcome examples of why there is optimism about the future of locally

sourced beef available to local markets and residents.

Wendy and Bart Morris, owners of Oxbow Cattle Company, market their beef to local restaurants and have a direct sales component to local customers from a small store on the ranch property. Responding to market demand, they offer local grass-fed, grass-finished beef, in quantities ranging from full and half beef portions to all kinds of cuts, including steaks and burger.

Wendy and Bart also worked with Five Valleys Land Trust and NRCS to place a 2017 ALE conservation easement on their 168-acre property. The conservation easement ensures that the land will not be subdivided and will have the ability to produce locally-sourced beef now and into the future.

“The opportunity to be able to preserve something this important—that’s a gift to us,” says Bart after the easement

was finalized. “It’s ag land that we use to provide locally grown beef for the community of Missoula. As long as we’re here, it will always be preserved, but even beyond us, it will stay in agriculture and remain open space.”

“The opportunity for us to preserve agricultural land right next to Missoula, which will, in turn, provide local food for the community, is only possible due to these funding sources (including the ALE program),” adds Wendy. “We feel very honored to have this opportunity.”

The Oxbow Cattle Company was also honored by Missoula County. Wendy and Bart were recipients of the 2019 Missoula County Land Stewardship Award.

“The ALE program has the flexibility to deliver diverse benefits to producers and communities,” says Montana State Conservationist Tom Watson. “Helping strengthen local beef to local markets is one of those benefits.”

Impact of Conservation Easements on Local Taxes and Asset Liquidity

By Daniel Bigelow
Assistant Professor of Agricultural Economics
Montana State University

Conservation easements on working lands do not reduce current property tax revenue

Property taxes are a major source of revenue for county governments. Although property tax regulations vary widely across the country, assessment based on market value is typically the norm for residential, commercial, and industrial properties. For other uses, such as agriculture and forestry, property tax assessments do not usually reflect the full market value of the property, but rather the level of income the property is capable of yielding in its current undeveloped use.

Conservation easements limit how a land parcel can be used, typically restricting the ability of landowners to convert their agricultural or forest land to developed uses, such as residential housing. To the extent that future development returns are accounted for in the income stream expected to be generated by a parcel of agricultural or forest land, conservation easements may reduce the market value of the property.

But conservation easements on working farm and forestlands do not reduce

property tax revenue in many states, including Montana. In all 50 states, farmland (and often forestland) is given preferential property tax treatment (Anderson and England 2014), usually through use-value assessment (UVA). Under UVA, farmland taxes are based on the land's "current use value" for future income related only to agricultural production. This contrasts with a property's market value, based on the income generated from current and all future potential uses of the land, including those unrelated to agriculture or forestry.

UVA policies are designed to protect agricultural landowners from being taxed on the portion of their land's value attributable to potential developed uses of the land. If an undeveloped piece of property is assessed on use value, the portion of the property's market value that may be reduced by an easement—specifically the potential value of future development—is not included in the current taxable property base of the county (Plantinga 2007; Parker and Thurman 2019).

Montana's use value legislation was passed in 1973 and applies to qualifying farm, ranch and forestland owners. The current language in the most recent Montana Code Annotated (MCA) 15-7-201 makes clear the intent of the policy:

"Because the market value of many agricultural properties is based on speculative purchases that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes."

The vast majority of conservation easements are specifically constructed to maintain farm and ranch agricultural production.

The potential impacts of easements on future tax revenues are less clear. If land that receives an easement would otherwise have been developed in the future, then the direct contribution of that property to the future tax base will be reduced. However, research has suggested that proximity to land conserved through easements can increase the market value of nearby homes (Reeves et al. 2018). If easements provide the types of open space and scenic views valued by real estate market participants, they may be self-financing or at least partly compensate for the potential reduction in future property tax revenue.

Conservation easements can correct credit market inefficiencies by allowing landowners to access the capitalized value of the foregone development potential of their land.

Conservation easements enhance the liquidity of landowner wealth

Farmland represents the primary store of wealth for many producers. Its financial significance is difficult to overstate. Farm real estate (land and farm-related buildings) routinely accounts for at least 80% of total asset value on the balance sheet of the U.S. farm sector (USDA Economic Research Service 2021). Landowners often use it as collateral to secure operating loans for farm-related investments such as land expansion, machinery and equipment purchases, and adoption of new or alternative technologies. In 2017, 72% of all interest expenses paid by Montana producers came from loans secured by real estate (USDA 2019). The ability to secure a loan through real estate is particularly important for new and beginning farmers and ranchers, who often lack the

credit history and ability to make down payments that lenders require to initiate an operating loan.

For landowners located in an urbanizing area, future development returns can make up a sizable fraction of land-related wealth (Plantinga et al. 2002). Banks and other financial institutions may not fully account for this future development-oriented equity when making collateral-based loans, making this portion of a landowner's wealth illiquid from a farm operation standpoint, effectively accessible only by selling the land on the open market. To the extent that the value of a conservation easement reflects the future development value of a parcel of land, easements can correct this credit market inefficiency by allowing landowners to access the capitalized value of the foregone development potential of their land (Duke et al. 2016).

NRCS Agricultural Land Easements: Supporting Working Lands and Communities Across Montana

Danford Family Flathead Land Trust



Photo: Torrance Summit / courtesy of Flathead Land Trust.

The Danford Family has farmed along the Flathead River for almost 100 years. Recently, they completed a conservation easement to protect their 155.4-acre farm and its amazing conservation values in perpetuity. "We are very thankful and fortunate to work with the folks at the Flathead Land Trust to help us make our ultimate goal come true to perpetually protect and preserve our beloved family farm and its unique wetlands for future generations," said Bob Danford and his wife, Terri Peterson. Bob put his ALE funding back into the business by purchasing equipment from Montana dealers, supporting Montana's economy!

Griffin Family Bitter Root Land Trust



Photo: Bitter Root Land Trust.

"It's my son's dream to have a ranch. The odds of that happening are low. He started 4-H, kept steers at the neighbor's, and showed them in competition. We wanted that for him. We want to help him fulfill his dream. With help from the land trust and the conservation easement funding, now we can," Troy Griffin smiles warmly. "When we're gone, it's over. But if we can leave something that lives on—we'd know that it will always be here. That's a legacy to leave behind."

Open Cross Ranch Five Valleys Land Trust



Photo: Little Bear Photography / courtesy of Five Valleys Land Trust.

Nestled in the rich, sweeping lands near Hall lies the historic Open Cross Ranch. Here, Lee and Gayla Skaw run cattle and sustainably harvest timber, as Gayla's family has done for two generations before her. The Open Cross's diversity of habitat types and the ranch's many creeks support a variety of wildlife, including long-billed curlews, golden eagles, elk, native westslope cutthroat trout, even grizzly bears. The conservation easement ensures that the three generations of Skaws who now live and work on the Open Cross can continue to do so for generations to come.

Hansen Family The Nature Conservancy



Photo: USDA NRCS.

The Hansen Family has conserved more than 13,500 acres of their ranch in the Medicine Lodge Valley in an effort to protect both wildlife and the land's existing agricultural use. "I'm fourth generation and I want my daughter to run the ranch some day and her kids and even if something happens and we can no longer do it, I want this to be a working ranch and stay the way it is," Eric Hansen said.

"Land trusts here in Montana

have been very successful in promoting the conservation of farm and ranch land to minimize fragmentation. Working together, NRCS, land trusts, and the many other partners that help make conservation easements happen, provide opportunities for farmers and ranchers to be sustainable and to stay on the land. Both of those outcomes support our Montana economy and rural communities."
- Tom Watson, State Conservationist for NRCS in Montana

“I think a conservation easement is the very best protection you can give a piece of property in the long run. Because we’re all temporary.”

- Mary Sexton, Vital Ground

**Weaver Family
The Montana Land Reliance**



Photo: The Montana Land Reliance.

In 2016, the Weavers partnered with the Montana Land Reliance to begin the initial steps for placing an ALE conservation easement on the multi-generational ranch near the Bears Paw Mountains. Following the pioneering spirit of William Weaver, who came to Montana in 1888 and eventually homesteaded in Blaine County, the Weavers are protecting an agricultural legacy. Not only that, but conserving nearly 10,000 acres of rangeland, providing outstanding wildlife habitat and open space.

**Burke Family
The Nature Conservancy**



Photo: Brian Martin / The Nature Conservancy.

Kelly and Tami Burke provide for more than cattle on their ranch south of Glasgow. Their land is also used by a variety of wildlife that depend on its diverse mix of habitat. Wildlife like greater sage-grouse, pronghorn, and mule deer thrive where good grazing practices are combined with keeping good habitat intact. The Burkes are doing both. The 3,700-acre easement bridges a gap between it and the remaining habitat which ranges from grasslands in the Missouri River Breaks to sagebrush grassland.

**Leep Family
Gallatin Valley Land Trust**



Photo: Rab Cummings / Gallatin Valley Land Trust.

The Leep Family Farm in the Gooch Hill Area adjoins two other existing easements, creating a block totaling 1,313 conserved acres. Not only is this an area of high agricultural production, but the protected land creates an important wildlife corridor for deer, elk, fox, eagles, and migratory songbirds. “This ground should never grow houses,” said Sherwin Leep. “It should stay in agriculture. It is important that these properties are conserved now. This is the time. They won’t be here 50 years from now.”

**Raths Family
The Montana Land Reliance**



Photo: The Montana Land Reliance.

The importance of the easement can’t be overstated. It will help keep the Raths’ ranch intact and operating and help protect an iconic western bird, the greater sage-grouse. And, the easement makes it so the Raths’ daughter and husband can continue ranching on the place that Raths’ grandfather homesteaded over one hundred years ago.

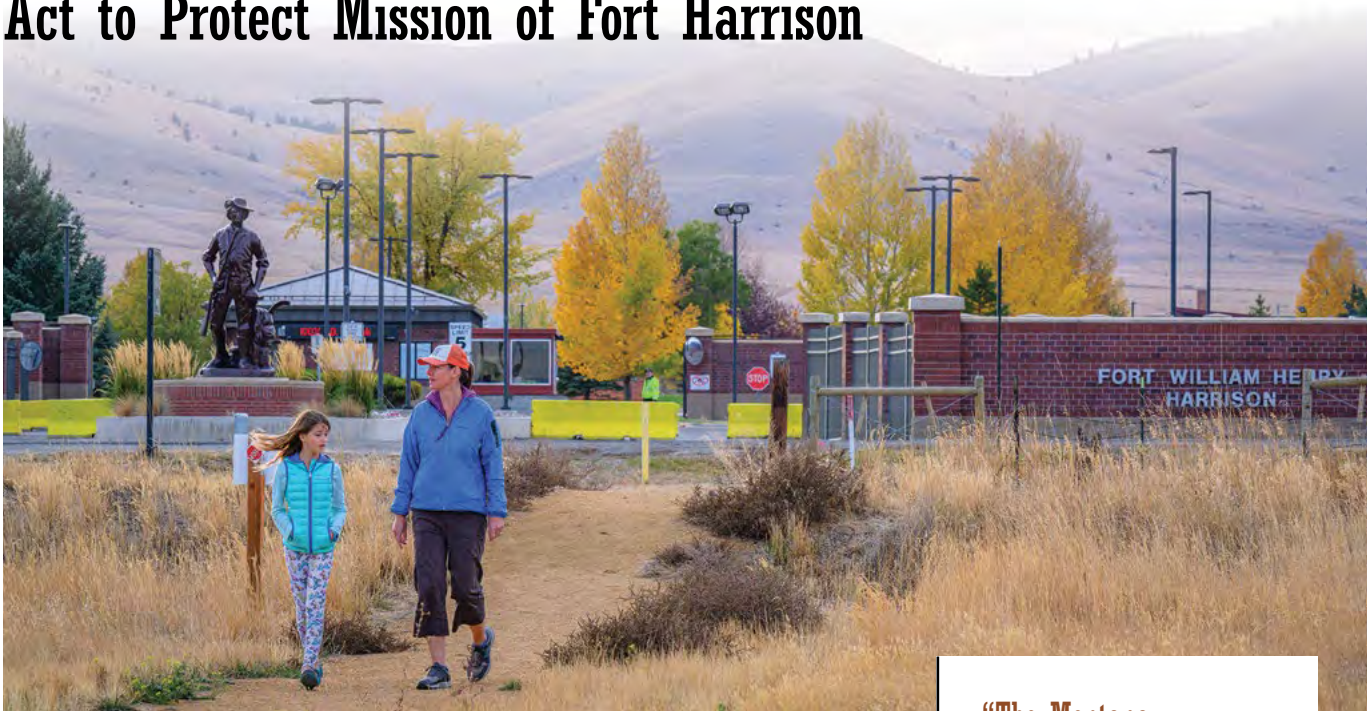
**Coal Creek
Montana Fish, Wildlife & Parks**



Photo: Montana Fish Wildlife & Parks.

“Conservation easements are 100 percent voluntary,” explained FWP Region 7 Wildlife Manager John Ensign. “In this case, the Coal Creek property lies adjacent to an easement that we completed back in the early 2000s, so the landowner was familiar with what an easement entails, and he approached us in 2016 to see if an easement might be a good fit.” The Coal Creek Easement conserves just over 10,000 acres of critical mule deer winter range, providing a true partnership in which wildlife, the ranch, and sportsmen all benefit.

Prickly Pear Land Trust, Montana Army National Guard Act to Protect Mission of Fort Harrison



Prickly Pear Land Trust's popular Tenmile Creek Park helps protect the mission of Fort Harrison and provides community outdoor recreation opportunities. Photo: Kevin League Photography.

When a parcel of open land located immediately east of Fort Harrison was available for purchase in 2016, Prickly Pear Land Trust (PPLT) and the Montana Army National Guard mobilized their joint resources to enable PPLT to acquire the property for the community—and the economy—of Helena and Lewis and Clark County.

Fort Harrison is a vital Montana Army National Guard facility with an annual economic impact of nearly \$42 million to the local economy, and residential development of all or part of the land adjacent to the facility had the potential to diminish the military training and operations mission at Fort Harrison and reduce the significant economic contributions of the facility.

The Montana Army National Guard and PPLT teamed up to obtain Army Compatible Use Buffer (ACUB) funding (as well as Lewis and Clark County Open Space Program funding and a short-term loan from The Conservation Fund) to purchase the property. As a result of the decisive actions by PPLT and the Guard, the land is now owned and managed by

PPLT, and that ownership helps protect the military mission and economic contributions of Fort Harrison.

In recognition of this joint action and the important economic and community value of the successful land trust / Guard partnership, PPLT Executive Director Mary Hollow accompanied Montana military officials to the Pentagon's Hall of Heroes to receive a 2019 Army Community Partnership Award. The award, only given to a handful of partnerships nationwide, is designed to highlight examples of exceptional cooperation and diligence between Army facilities and community programs. The awardees represent partnerships that have improved readiness, driven modernization, and contributed to reform initiatives throughout the Army, and, in PPLT's case, improved soldier, family, and community life.

The Montana Army National Guard and PPLT were specifically recognized for reducing encroachment threats to Fort Harrison while creating public access for veterans and civilians alike to the open

“The Montana National Guard is dedicated to serving our communities and citizens along with protecting the training resources critical to support the readiness of our troops for generations to come which is also a shared goal of PPLT.”

- Maj. Gen. Matthew Quinn



land along the banks of the Tenmile Creek and working to restore Sevenmile Creek waterways.

“The Montana Army National Guard and the Prickly Pear Land Trust partnership is a national model of how government agencies and community programs can work together to protect both military training resources and stewardship of Montana's greatest treasure, our open space,” Maj. Gen. Matthew Quinn, adjutant general for Montana at the time, said in a statement when the project was completed.

Forest Legacy Program Means Forest Health, Montana Jobs

Another Farm Bill program important to Montana’s economy is the Forest Legacy Program, or FLP. The FLP was created in the 1990 Farm Bill, and as a result of partnerships involving landowners, conservation groups, and public agencies, the program has generated conservation on close to 300,000 acres of western Montana forestlands.

What does “conservation” mean in the context of the FLP? It means that a forest remains intact and continues to produce vital goods and services including recreational public access, clean water, wildlife habitat, important raw materials, wood products jobs, and more. A good example of how the FLP works in Montana is the highly regarded Kootenai Forestlands Phase II Project, located on Stimson Lumber Company land near Libby in northwest Montana.

The Kootenai Forestlands Phase II Project resulted in a conservation easement on 27,289 acres of highly productive Stimson timberlands. Stimson is one of the oldest family-operated timber companies in the U.S., with roots that date back to the 1850s. Stimson received FLP funding for surrendering development rights within

the 27,289 acres, with Stimson donating a large share of the value of that potential development.

The conservation easement is held by Montana, Fish, Wildlife & Parks, and precludes residential development of the property. The Trust for Public Land (TPL) is a partner in the Kootenai Forestlands and other northwestern Montana forest projects. The easement will permanently protect public access, allowing approximately 26,500 annual days of hunting and fishing opportunities.

“The local support for this work has been unwavering, from elected officials to citizens in the local communities where we work,” says Dick Dolan, Northern Rockies Director for TPL, at the Oct. 28 Fish and Wildlife Commission public hearing. “We’re at kind of a watershed point in the forestlands of Montana. Prices are skyrocketing. But there are enthusiastic partners like Stimson that want to keep this land in production, want to keep it open to the public, and want to conserve it for the long run...so thank you to them.”

The wood products industry is important to Montana’s economy. In 2020 the wood products industry employed roughly 7,668 primary and secondary timber industry jobs in Montana, with earnings of about \$396 million. The industry also showed a positive economic impact of nearly \$1 billion from combined primary and secondary product sales.

There are significant economic and financial pressures for timber companies to convert the land to non-forest uses. The FLP encourages partnerships that work to maintain healthy forests and all the goods and services that flow from them.

“We’re in the business of growing trees, and our private timberlands are the foundation of our business,” says Barry Dexter, Director of Resources at Stimson in an Oct. 7, 2021, Flathead Beacon article. “We want to keep producing timber and maintain our land for public access and open space. We don’t want to sell it off so developers can keep building McMansions. But right now everyone wants a piece of it.”

The Forest Legacy Program helps keep “it”—forests—as forests.



Photo: Chris Boyer, Kestrel Aerial / The Trust for Public Land.

Outdoor Recreation is Big Business in Montana

No discussion about the economic benefits generated by land trusts and private land conservation is complete without recognizing the economic impact of Montana outdoor recreation and how land trusts contribute to that impact.

In 2020, outdoor recreation added \$2.2 billion to the Montana

economy, created 26,000 jobs (5.4% of Montana's total labor force), and accounted for 4.3% of Montana GDP, the highest percentage in the nation. Outdoor recreation is Montana, and it is big business in Montana. Pre-COVID, outdoor recreation generated \$1.5 billion in wages and salaries and produced \$403 million in state and local tax revenue.

“Never underestimate the value of outdoor recreation to our economy, our way of life, and our Main Streets,” added Whitney Schwab, executive director of Five Valleys Land Trust. “The diversity and quality of our outdoor recreation brings businesses, jobs, employers, and economic opportunity to Montana and to Montanans. People bring jobs to Montana thanks to these outdoor recreational opportunities.”

Ten Examples of Land Trust Projects Creating, Improving, and Expanding Outdoor Recreation



Photo:
Five Valleys
Land Trust.

1. The Trust for Public Land's

multiple forest conservation partnerships in western Montana retain permanent public access to large tracts of private forestlands.

2. Prickly Pear Land Trust

is the local leader in a roughly 85-mile community trails system that serves as one economic driver for Lewis and Clark County. A 2018 study showed the Helena South Hills trail system contributes \$4.3 million to the local economy.

3. Five Valleys Land Trust's

Mount Dean Stone trails project has evolved into destination trails that attract people from far beyond Missoula.

4. Rocky Mountain Elk Foundation

has worked to open up or improve public access on 352,088 acres in Montana, including signature projects such as Falls Creek along the Rocky Mountain Front and at the Tenderfoot Creek area in central Montana.

5. Gallatin Valley Land Trust's

leadership on the Main Street to the Mountains Trails in Bozeman has made that trails system among the most valuable and successful community trail networks in the U.S.

6. The Nature Conservancy in Montana

manages large tracts of forestland in western Montana under managed public access that allows recreational access while maintaining other forest management priorities.

7. Bitter Root Land Trust

led a local effort to create a dynamic community recreational asset named Skalkaho Bend Park in Hamilton.

8. Flathead Land Trust

helped lead community efforts to create public access through the creation of the Bad Rock Canyon Wildlife Management Area and Somers Beach State Park.

9. The Conservation Fund

partnered with the Bureau of Land Management to expand public access to Meeteetse Spires—a unique natural area—in southwest Montana.

10. Kaniksu Land Trust

created a new Cabinet View Nature Area in Sanders County in 2021. The 76-acre area is owned by KLT and is open for walking, picnicking, enjoying nature, and exploring.



Photo: Hunter D'Antuono / Flathead Beacon.

The Value of Montana Agriculture

**It is virtually impossible to overstate the importance of agriculture.
It is also virtually impossible to overstate the threats to agriculture.**

One important fact we hope this report conveys is that the Farm's Bill Agricultural Land Easement program is specifically designed to address threats to agricultural land and agricultural producers.

We are an open land state. It is seemingly everywhere we look in Montana. But if we look closely, we can also see Montana open land disappearing, converted to subdivisions and other non-agricultural uses. Every month in Montana we lose roughly 1,500 acres of open land.

In a 2019 film "Losing Ground," the American Angus Association reports that:

- America has lost 31 million acres of farm and ranch ground the past 20 years.
- Since 2010 America's population has grown by 20 million.
- The world's population grows by 82 million each year.
- To feed the world in 2050 an additional one billion tons of grain will need to be grown each year.
- To feed the world in 2050 an additional 200 million tons of meat will need to be produced each year.
- This food production will need to occur with fewer people producing food, and fewer acres producing food.

Since 1990, across Montana, 1.3 million acres of undeveloped land—most of it agricultural—have been converted to housing. During the time it takes you to read this article, America will lose roughly 12 acres of open land.

These are sobering facts, but Montana's and America's farm and ranchers are a resilient bunch.

We would like to acknowledge and thank Montana agricultural producers, and one last time express the importance of agricultural production and programs like ALE that keep farms and ranches as farms and ranches, and continue to produce the flow of economic benefits to farm and ranch families, rural main streets, local economies, and Montana's statewide economy.

Tom Watson
State Conservationist
Montana NRCS

Gavin Ricklefs
Board President
Montana Association of Land Trusts



Gilman Family. Photo: Alexis Bonogofsky / The Montana Land Reliance.



Central Montana. Photo: Jason Savage / The Montana Land Reliance.



Crabb Ranch. Photo: Sprout Films / The Conservation Fund.

These organizations are equal opportunity providers and employers.