

Investing in a Sustainable Future— The Yainix Ranch

by Ann Adams

The Yainix Ranch in the Upper Klamath Basin in Oregon has a typical history for the Western U.S. Between agricultural producers and environmentalists, the Klamath Basin has been a bone of contention for years and conflict has run high around the issue of water rights and land use. It is home to dozens of endangered species and a long history of Native American heritage and agricultural use. Like other land in this basin, the Yainix was worn out from chronic overgrazing, and it looked like it was one more lost ranch in a basin where viable agricultural production was highly in question. Until Taylor and Becky Hyde came along.

Creating New Opportunity

In February 2002, Taylor and Becky purchased the 480-acre (192-ha) Yainix Ranch at the confluence of the Sprague and Sycan Rivers. Currently the Sprague waters flow into Upper Klamath Lake in low volume, high temperatures, overloaded with nutrients, and poorly oxygenated due at least in part to such land practices as poorly timed grazing, control levies, damaging irrigation practices, and a generally poorly functioning water cycle.

While the Yainix was about 25 miles from the Yamsi Ranch near Chiloquin, Oregon where Taylor and Becky were living with Taylor's mother, Gerda, and brother, John, Becky had never seen the property until approximately four years ago. She has been involved in watershed issues in the region for many years and was representing the Upper Klamath Basin ranching community as part of an educational bus tour of watershed partners. When they happened upon the property that was to be Yainix Ranch, Becky was appalled. "It was the most devastated property I've ever seen. There were yearlings in the stream, and no willows growing because of the chronic grazing. The sight of it continued to haunt me."

Her first step was to contact Martin Goebel of Sustainable Northwest, a non-profit whose vision is to develop partnerships to promote environmentally compatible economic development in the communities of the Pacific

Northwest. The Hydes and Becky's parents, Doc and Connie Hatfield (all long-time Holistic Management practitioners), had worked with Sustainable Northwest before on other projects. Becky thought that perhaps they could help them with this project.

She also approached U.S. Fish & Wildlife Service to get more information about the wildlife value of that corridor. She found out just how special that property was with two miles of river, 15 springs, and numerous potential wetlands. The Hydes realized that the potential outcome for restoring this property was huge and wanted to engage all those who had a vested interest in healthy land in the Basin as part of the process. With visions of fish spawning in regenerated springs, waterfowl and wildlife flocking to restored wetlands, and increased plant biodiversity along riparian corridors, the Hydes took over the lease option on the land as part of a purchase agreement in February 2002. They also began some planned grazing with less than half the stocking rate of the previous owner.

The land is already responding to this treatment with thousands of willows coming up in spring areas. "The comeback has been amazing," notes Becky. "There's a lot of nesting because there is finally some cover where there hadn't been any cover before." In fact, James Honey, a program officer for Sustainable Northwest (SNW) who works with the Hydes, notes that there haven't been baby willows along the riparian areas for 20 years. "The Hydes are already bringing the Yainix back to life in one season," says James.

Getting Creative

When Taylor and Becky reduced the number of cattle on the property to bring it closer to the sustainable carrying capacity, they reduced the income they could produce to service debt. The conservation easement is expected to make up that difference, but it was going to take time to design, sell and implement it. SNW worked with the Hydes to develop the concept—it was a joint idea, and untested at that time.

It wasn't that the Hydes were poor financial planners, it was that they needed a short term remedy to get over the next payment. What the Hydes and SNW discovered through this need was an opportunity that could serve other ranchers who need "bridge" capital to move toward more sustainable operations.

So the first step was for SNW to set up a portion of the Yainix Ranch as an investment opportunity. After initially investigating potential response from philanthropic investors, Sustainable Northwest developed a prospectus for the Yainix Ranch Holdings LLC and agreed to be the investment broker. They also agreed to approach those potential investors.

The Yainix prospectus educates potential investors about the financial barriers that arise when a rancher wants to regenerate degraded land and remain economically viable as a business. For this reason, the Yainix "requires supplementary sources of patient capital to bridge the gap in income created by the shift to more sustainable grazing practices. Thus, LLC Members will be essential partners in making sustainability a reality on the Yainix." They will also benefit from gains in real estate values.

James Honey notes that this investment prospectus was a modest idea that could be tweaked to work for other ranches. "We sent that prospectus out to a very focused audience, and we've really been surprised by the interest generated and how quickly that prospectus spread. We got responses from people we hadn't sent it to. There is a real desire from an urban population to be involved with the rural restoration. We are working to tie urban capital to that rural change.

"We think that the next step might be to engage some of the socially responsible investment funds with this kind of work. As far as I our ongoing role with the Yainix Ranch, we need to 'manage' the investors through organizing field days and responding to their requests so the Hydes can spend their time managing the ranch and working with the Yainix Partnership. The base of that management and the changes we have already seen in one year is the Hydes' Holistic Management practices."

The LLC Operating Agreement plans for a 10- or 20-year investment period at which point the Hydes will purchase Members' shares of the LLC to become outright owners of the ranch. A full appraisal of the value will determine share value and any gain on the Members investment from the appreciation

due to restoration activity. While agricultural land values are fairly flat, the “beauty” or “recreational” value of land (how it looks) can increase ranch value.

The combined value of the two parcels of land that make up the LLC’s holding is \$828,000 (the 480-acre Yainix Ranch and the 320-acre Yainix Annex). The current LLC offering is for \$50,000 with a minimum \$5,000 investment for Membership. Within two months of public offering, the LLC already has \$40,000 in investments with several additional investors interested.

The prospectus consistently points out that investors should see such investment as philanthropic, patient capital and that all operating decisions for use of the real estate will be in the Hydes’ hands. However, there are opportunities for the Members to participate in annual “Open Ranch” weekends where they can visit the ranch and learn about the changes and innovations at the ranch with other members and the Hyde family. The weekend will feature speakers, tours, and an “appreciation barbeque.” They will also receive an annual report, as well as regular, informal communications and updates and priority participation in public events or natural resource-based businesses (such as guided fly-fishing) that may operate on the ranch.

In turn, the LLC will lease the ranch to the Hyde family for their livestock business and any other businesses that may be compatible with the Yainix Vision and the goals of sustainability.

Partnering for Results

Yainix Ranch now hosts regular meetings of the “Yainix Partnership” as they seek to collaboratively develop and test new methods and tools to support private lands stewardship across the Upper Basin. Besides the Hydes and Sustainable Northwest, this partnership includes the Klamath Tribe, federal and state government agency employees, environmental groups, and interested ranchers. The ranch will also be a learning site to share best practices for sustainability with their neighbors as all these groups can be involved in the ongoing monitoring of the ranch’s ecological and economic health (and culturally sensitive sites important to the Klamath Tribes).

In the first year of operation, the Hydes will also be working with Sustainable Northwest and some members of the partnership on developing a “working lands” conservation easement for the Yainix that can serve as a model for other ranchers. Such a conservation easement would be different than the more typical conservation easements in that it would recognize the important role of livestock and agricultural production, but pay ranch families to restrict their



The Yainix Ranch had all the signs of “liquidation ranching” (i.e. trash, loss of biodiversity and eroded river banks), so Taylor & Becky Hyde will work to improve the land as all the Hydes have done on the Yamsi Ranch where Becky and children play in a stream at right. Abo ve: Volunteers from the Yainix Partnership help clear out a tire dump the Hydes inherited.



management practices to environmentally compatible grazing.

Payments would give ranchers incentives for changing management practices, and assure buyers of permanent protection of wildlife and increased restoration of habitat. They hope to have a prototype by fall, and have gone slowly in creating the easement document because it is such a specific legal tool. They really want to look at what is viable, how the easement is monitored and enforced so the easement supports the work without being overwhelming. Above all, the key monitoring criteria for this easement is an upward trend toward the future landscape description that everyone has agreed upon.

Exponential Factoring

At the Yainix Ranch, Becky and Taylor bring with them a legacy of holistically

managed ranches. Defenders of Wildlife has called the Hatfields “pioneers of proper land stewardship” and “proof that ranching can be both environmentally beneficial and economically positive.” The Conservation Fund has noted that “every private landowner in American can benefit from the example set by Gerda Hyde and her family.”

Becky Hyde says, “We are very excited about the wonderful possibilities presented by the Yainix. Taylor and I come from two innovative ranches, and we can use that background to develop new opportunities for ranching through this project.

“Holistic Management plays a part in everything we do. We were both raised with it, so it’s really hard to define how we integrate it in our lives because it is such a part of us. We’ve spent hours and hours talking about our own personal holistic goal, and those discussions shaped our decision to buy this ranch and how to go about engaging with the larger community. We have been very deliberate about defining our whole, and how we build relationships. There’s no government process driving us, so we really do have a lot of opportunity to see what can work.

“It’s been an enormous time commitment to work with this partnership, really a full-time job, but we’ve been having fun and are committed to this process. We wanted to start small so that we had a greater chance at real, workable solutions to the problems facing our neighbors in the Upper Klamath Basin and throughout the West. We want to make it replicable. Our idea is to keep it a low-key, open door approach so anyone can ‘look over our fence,’ and begin to figure out how they can make changes in their management to improve their circumstances. We couldn’t have done this alone.”

Becky and Taylor Hyde can be reached at yainix@cadsnet.net. James Honey can be reached at jhoney@sustainablenorthwest.org.