

Open Country

GANADO GROUP, INC. NEWSLETTER

- Checkerboard Lands in Northern Arizona 1
- Checkerboard Area Ranch Sales 3
- Featured Member 4
- Ganado Group Members 4
- Company Services 4
- Available Farms & Ranches 5
- Arizona National, Spring Ag Forum & Cattleman's Weekend 6

Welcome to Open Country!

At Ganado Group, given the nature of our work we come across a large amount of information pertaining to rural real estate. And since we know that, in this business, information can be an invaluable asset to any potential landowner, we have decided to create this newsletter, *Open Country*, to share a broad outline of that data. Each issue will include an article describing the history of a particular land class along with sales data charts and summaries for it. In addition, there will be a list of properties for sale. We hope this report is helpful as well as interesting. If you have any questions or comments, please give us a call. ◀

CHECKERBOARD LAND SOUTH OF KINGMAN



Checkerboard Lands in Northern Arizona

By Carter S. Benton

Across northern Arizona there is a strip of land in which alternate sections belong to the state and the private tenure. This strip runs from the New Mexico line to Kingman and is approximately 100 miles wide in some points. Only parts of the Coconino and Kaibab National Forests break this unusual pattern in ownership. The origins of this pattern – it looks like a checkerboard – are rooted in settlement policies the United States implemented during the westward expansion of the 1800's. Primarily, this and similar patterns found in other states (i.e. New Mexico) is the result of railroad land grants and public domain law as the country's population moved west.

In 1866, the Atlantic and Pacific Railroad (A & P) was formed to link tracks in Springfield, Missouri to the Pacific coast in California. As a partial subsidy, the US government granted land out of the public domain to the newly formed railroad as they had been doing since 1850 (Illinois Central grant). By 1872, the alignment of the A & P's tracks from Isleta, NM to Needles, CA had been surveyed. The railroad was entitled to a portion of the strip of land running forty miles on either of the tracks, north and south, or eighty miles wide, along the entire distance of the surveyed alignment. On each side, there was to be an additional ten-mile wide strip of "lieu" lands, making the strip 100 miles wide in total. The lieu lands were to be exchanged for

Continued on page 2.

THE ORIGINS OF THIS CHECKERBOARD PATTERN ARE ROOTED IN SETTLEMENT POLICIES THE UNITED STATES GOVERNMENT IMPLEMENTED DURING THE WESTWARD EXPANSION OF THE 1800'S.

Ganado Group, Inc. is an agricultural and rural real estate service company performing fee appraisals, consulting, property management and real estate brokerage for a broad client base.

Continued from page 1.

land already excepted from the public domain prior to the 1872 survey. According to the grant, the A & P was to be given a patent for alternate odd numbered sections. This was because the territories were being given certain even numbered sections – two per township at the time – for schools and public facilities upon completion of statehood. Any land already homesteaded or part of a federal agency was not considered part of the public domain and so was not included in the grant. The lieu lands were to make up for the losses to military reservations and homesteading from the original strip. With so much at their disposal, and the high costs associated with track construction, the A & P attempted to sell land as fast as possible.

Perhaps the most important sale was the first, negotiated in 1884, to Aztec Land and Cattle Co. – a newly formed company capitalized in New York by A & P official E.W. Kinsley and others. Kinsley was made trustee by the A & P; in charge of selling five million acres. In December 1884, the A & P sold one million acres to Aztec for 50 cents per acre. The sale was soon found to include additional acreage over and above the one million for which an option was given. Aztec continues to operate as a lessor of grazing land in the area. The other significant sale was approximately 258,873 acres to Dr. E.B. Perrin in 1887 for seventy cents per acre. Both were problematic transactions.

BY PURCHASING SURFACE GRAZING RIGHTS FROM SUB-DIVIDERS AND TAKING ADVANTAGE OF OPEN RANGE LAWS, RANCHERS CONTINUE TO RUN THEIR LIVESTOCK ON CHECKERBOARD LANDS THROUGHOUT NORTHERN ARIZONA.

Most buyers at the time were reluctant to enter negotiations, with reason. The US General Land Office (GLO) would not give patents to the railroad until track was completed in the area, so title was difficult to convey. Even when construction was complete, the government was slow in completing its cadastral (rectangular) survey and so was reluctant to give patents. In some cases, the GLO argued that the railroad exceeded time limits for obtaining its grant. When the A & P went bankrupt in 1894, it had sold barely more than 1.5



million acres of its grant. Its remaining land in the relevant grant was taken over by the Atchison Railroad which created the Santa Fe Pacific to manage those assets in 1897.

The other major transfer came from the 1898 proclamation made by Congress at the suggestion of the National Academy of Sciences which recommended changes in forest reserve policy. This proclamation made possible the exchange of forest land for any non-timbered non-mineral land held by the federal government. This brought about the forest land exchange that allowed the Santa Fe Pacific to deed 552,358 acres of forest around Flagstaff, AZ to the federal forest reserves (146,680 of these acres were from remaining lieu lands). These forested acres later became parts of the Kaibab and Coconino National Forests. Upon completion of statehood, certain remaining public domain lands (those not already part of another agency) were deeded to the state of Arizona.

Since that time, the deeded land tenure has changed significantly, partially due to subdivision. These subdivisions, which typically divide the fee land into forty-acre parcels, became widespread in the late 1960's. Since 1975, approximately 1.5 million acres have been subdivided. By purchasing surface grazing rights from sub-dividers and taking advantage of open range laws, ranchers continue to run their livestock on checkerboard lands throughout northern Arizona.

Since the mid 1980's another shift has occurred. Three Indian tribes – the Navajo Hopi and Zuni – have acquired approximately 1,000,000 acres in the area during that period. The majority of this land continues to be operated as cattle ranches. ◀

Checkerboard Area Ranch Sales

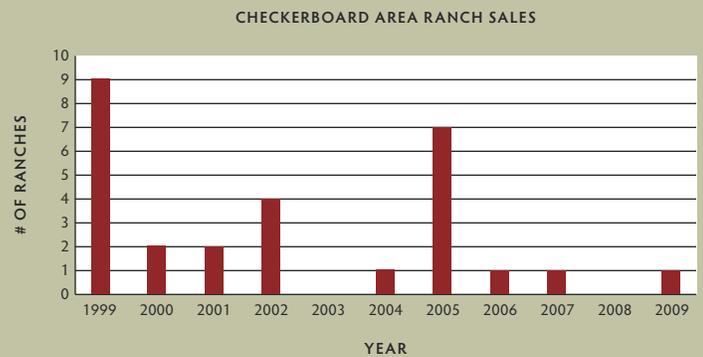
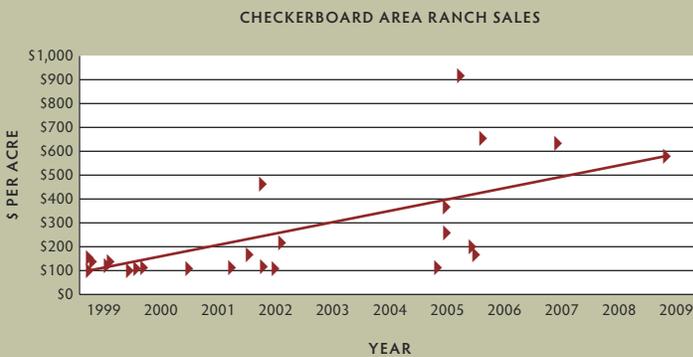
CHECKERBOARD LAND NEAR NEW MEXICO STATE LINE

The following charts show the ten year sales history of checkerboard ranches (un-subdivided) and surface grazing ranches in northern Arizona. There have been thirty sales of un-subdivided checkerboard ranches over the last ten years. Of those, approximately one-third have sold to developers, one-third have sold to individual investors while the remaining sales involved entities as diverse as municipalities, utility companies and Indian tribes. Water rights were the main motivation in three of those sales. These ranches are negotiated on a price per acre basis. For the purpose of comparison with surface grazing ranches, we have found the average price per animal unit to be \$15,678. During that time, there were thirty-eight sales of surface grazing ranches, virtually all of them to ranchers, at an average price of \$1,431 per animal unit. ◀



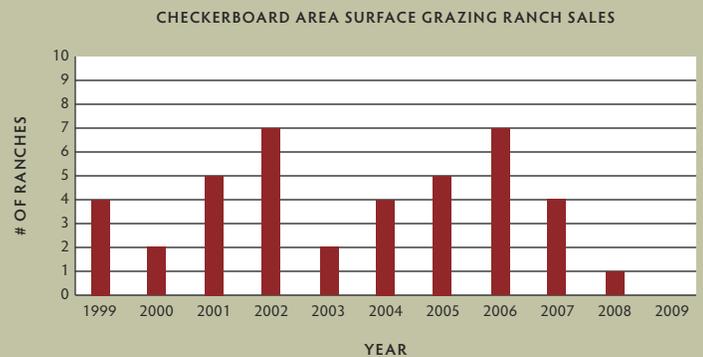
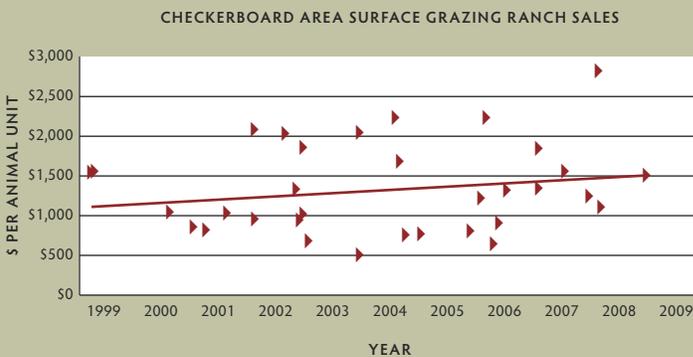
1▶ TREND FOR PRICE PER ACRE OF CHECKERBOARD RANCHES (UN-SUBDIVIDED) OVER THE LAST TEN YEARS

2▶ NUMBER OF SALES PER YEAR OF CHECKERBOARD RANCHES (UN-SUBDIVIDED) OVER THE LAST TEN YEARS



3▶ TREND FOR PRICE PER ANIMAL UNIT OF SURFACE GRAZING RANCHES OVER THE LAST TEN YEARS

4▶ NUMBER OF SALES PER YEAR OF SURFACE GRAZING RANCHES OVER THE LAST TEN YEARS



Featured Member

David E. Clark

Dave attained a Bachelor of Science degree in Agriculture from the University of Arizona, and has a background in cattle production and irrigated farming in northeastern Colorado. He has been with Ganado Group since its inception, focusing primarily on the appraisal of ranches, farms, feed yards, dairies, commercial horse properties and conservation easements. Dave and his wife, Gretchen, are active in showing Quarter Horses in reining and cattle events. ◀

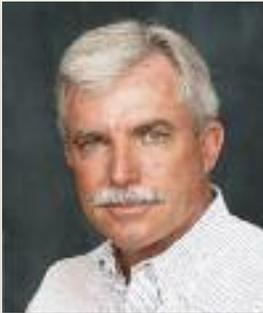
Group Members

Company Services

Ganado Group, Inc., in business since 1994, is an agricultural and rural real estate service company performing fee appraisals, consulting, property management and real estate brokerage for a broad client base. Over the last eighteen months, our members have appraised more than 20 ranches statewide, water rights pertaining to the Gila River adjudication, conservation easements, country estates on Oak Creek, dairies in central Arizona, produce coolers in Yuma, and over 10,000 acres of farmland in Maricopa County, Pinal County, Yuma County and Blythe, California.

Also during that time period, Ganado has sold a portion of a ranch in Cochise County for two sisters, helped a family sell 5,000 acres to Pima County for open space, worked with a partnership to sell a ranch south of Sonoita and aided a family's relocation to a larger ranch in Yavapai County.

In the future, if you need professional services for rural or agricultural property we hope you will allow Ganado Group an opportunity to work with you. ◀



Tom A. Rolston, ARA
Real Estate Broker
Certified General RE Appraiser
602.248.9232
trolston@ganadogroup.com



Scott A. Halver, MAI & ARA
Certified General RE Appraiser
480.513.0501
scotthalver@msn.com



Allyson Halver
Certified General RE Appraiser
480.773.0181
allysonhalver@msn.com



David E. Clark
Certified General RE Appraiser
602.919.9026
declark@hughes.net



Timothy T. Roberts
Certified General RE Appraiser
602.248.9232
troberts@ganadogroup.com



Carter S. Benton
Appraiser
602.248.9232
cbenton@ganadogroup.com

Open Country

AVAILABLE FARMS & RANCHES – FALL 2009



Prescott Area Ranch

The Yavapai County ranch is located 60 miles north of Phoenix in the Prescott area. The Headquarters is 4 miles east of I-17 within 1¼ hours of downtown Phoenix and Sky Harbor Airport. 80 Ac. deeded along Agua Fria River, 49 Ac. deeded along Indian Creek, 1,967 Ac. State, 10,356 Ac. BLM & 12,196 Ac. Forest Allotment. Capacity 445 head yearlong. Elevation is 3,400 to 5,000 feet with the Headquarters at 3,440 feet. Headquarter improvements include nice main ranch house, barns, shipping corrals and 35 Ac. irrigated. This is an opportunity for the serious cattleman to own a reputation cattle ranch. *Price ▶ \$2,760,000*



Skull Valley Area Property

The Yavapai County property is located in Skull Valley, approximately 20 miles from downtown Prescott and 100 miles northwest of Phoenix. 139 Ac. deeded along Old Skull Valley Road. Elevation is 4,163 feet to 4,703 feet. Improvements include main ranch house, 2nd house, barn, shop, outbuildings & 80 Ac. irrigated with 2 irrigation wells. This is an opportunity for a family, horseman, specialty livestock breeder, specialty farmer or retiree to own a good long term investment in a pleasant year-round climate. *Price ▶ \$2,200,000*



Wickenburg Area Ranch

The Maricopa County ranch is located 45 miles northwest of Phoenix in the Wickenburg area. The Headquarters is 3 miles west of Morristown along the east bank of the dry Hassayampa River 1¼ hours from downtown Phoenix and Sky Harbor Airport. Tenure includes a 120 Ac. deeded Headquarters site, 2,160 Ac. State Lease & 10,148 Ac. BLM Allotment. Capacity is 105 head yearlong. Elevation is 1,730 to 2,750 feet with the Headquarters situated at 1,775 feet. Headquarter improvements include nice 3,100 sq. ft. main ranch house, 680 sq. ft. historic general store, guest house, labor housing, 4,850 sq. ft. workshop, 17 stall round horse barn, roping arena and more. This ranch is ideally located for a professional, retiree or winter visitor interested in mild winters, western recreational opportunities and the experience of managing an Arizona desert ranch. *Price ▶ \$2,000,000 including cattle*



Sonoita Area Ranch

The Santa Cruz County ranch is located 10 miles south of Sonoita in southern Arizona. The ranch house is 3 miles off a paved highway within 1¼ hours of downtown Tucson and the Tucson Airport. 40 Ac. deeded and 15,600 Ac. Forest Allotment. Capacity is 350 head yearlong. Elevation is 4,800 to 6,000 feet with the Headquarters at 5,275 feet. The ranch is situated in a popular area of the state offers a pleasant year-round climate, close proximity to a quiet yet active rural community and the ability to run a nice sized herd of cattle. *Price ▶ \$1,600,000 including cattle and equipment*

Ganado Group, Inc.

Agricultural & Rural Real Estate Services

777 East Thomas Road, Suite 210
Phoenix, Arizona 85014

www.ganadogroup.com

GANADO GROUP IS
PROUD TO SUPPORT

AZ NATIONAL
LIVESTOCK SHOW
DECEMBER 28, 2009 -
JANUARY 1, 2010 ▶

AZ NATIONAL
HORSE SHOW
JANUARY 7-10, 2010 ▶

AG FORUM
FEBRUARY 26, 2010 ▶

CATTLEMAN'S
WEEKEND
MARCH 5 & 6, 2010 ▶



Arizona National Livestock Show

December 28, 2009 – January 1, 2010

Arizona State Fairgrounds ▶ Phoenix, AZ

Junior Market Auction

January 1, 2010

BBQ at Noon & Auction begins at 1:00pm

Arizona National Horse Show

January 7-10, 2010

WestWorld ▶ Scottsdale, AZ

For more information visit www.anls.org or call 602.258.8568

2010 Spring Ag Forum

The Arizona Chapter
of the American Society of
Farm Managers & Rural Appraisers

Invites you to the 2010 Spring Ag Forum

Friday, February 26, 2010

8:30am – 4:30pm

Featuring

Urban & Ag Land ▶ Values & Outlook

Location

SRP's Pera Club ▶ Cost: \$110

Contact

Mark Keller ▶ 602.236.8164

Shawn Wood ▶ 602.258.1647

Cattleman's Weekend

**Friday & Saturday,
March 5 & 6, 2010**

At Prescott Livestock Auction
in Chino Valley, AZ

(5½ miles east on Perkinsville Road off
Hwy 89 at the north end of Chino Valley)

Featuring

Bull Sale

Replacement Heifer Sale
Arizona Ranch Remuda Sale
Cattleman's Trade Show
BBQ and much more!

Contact

Swayze McCraine ▶ 928.713.2658