

# Public Lands Grazing Fees

A White Paper

by

Public Lands Council

American Farm Bureau Federation

Association of National Grasslands

American Sheep Industry Association

National Cattlemen's Association

## Ranchers Are Not the Wealthy Few

Most of the ranchers who depend on Federal lands run small family operations. Many make under \$28,000--and many make a lot less. Coupled with these fairly modest incomes are two inevitable conditions: high costs and the usual burden of debt. Furthermore, as with any small business, ranchers must pay for their own health and pension plans. Or so it is for those who can even afford it.

In light of the rancher's lean finances--and his typically meager choices, if any, in available land--grazing fee increases are naturally a cause of deep concern. Failure figures tell the story. For example, in Fall River, South Dakota, during the late 1980s, the bankruptcy rate among public land ranchers was over three times that of ranchers who used private land.<sup>25</sup> Struggling with the availability of land and sheer geography, the rancher is in no position to "shop" for land; he can't very well haul his stock around, looking for more affordable private pastures to rent. With no real choice, he can fail as fee expenses increase--and for what? For some impossible ideal of wilderness? For Federal budgets? (Continued on page 18)

COMPARISON OF OPERATING COSTS PER ANIMAL UNIT MONTH ON PUBLIC LAND RANCH VERSUS PRIVATE LAND RANCH UNITS

THIS TABLE, FOLLOWING THE FEDERAL STANDARDS ESTABLISHED IN THE 1966 FEE STUDY, UPDATES THE 1966 RESULTS TO 1990 VALUES.

TOTAL GRAZING COSTS ON OPERATIONS USING FEDERAL GRAZING PERMITS & PRIVATE LEASES

OPERATION	FEDERAL GRAZING PERMITS	PRIVATE LEASES
LOST ANIMALS	\$ 1.82	\$ 1.12
ASSOCIATION FEES	.27	- 0 -
VETERINARY	.45	.53
MOVING LIVESTOCK TO AND FROM	1.11	1.16
HERDING WITHIN OPERATION	1.86	.77
SALT AND FEED	2.32	3.09
TRAVEL TO AND FROM OPERATION	1.49	1.19
WATER (PRODUCTION ITEMS)	.27	.20
HORSE	.50	.31
FENCE MAINTENANCE	.89	.92
WATER MAINTENANCE	.69	.55
DEVELOPMENT DEPRECIATION	.37	.10
OTHER	.44	.47
<b>TOTALS</b>	<b>\$ 12.48</b>	<b>\$ 10.41</b>

FEDERAL GRAZING FEE (1990)	1.81	- 0 -
PRIVATE FORAGE VALUE (INCLUDES LESSOR'S OVERHEAD AND RISK) (1990)	- 0 -	4.35
<b>TOTAL OPERATING COSTS P/A.U.M.</b>	<b>\$ 14.29</b>	<b>\$ 14.79</b>

CAPITALIZED COST OF GRAZING PERMIT, <sup>1</sup>	3.25	- 0 -
<b>TOTAL COSTS</b>	<b>\$ 17.54</b>	<b>\$ 14.79</b>

<sup>1</sup>INTERNAL REVENUE SERVICE VALUATION OF GRAZING PERMIT AT \$850 PER ANIMAL UNIT MONTH; MONTANA, 1980. CAPITALIZED COST IS CALCULATED USING 6% AS THE LONG TERM RATE OF RETURN AS IN THE 1966 FEE STUDY. (850/12x6% = 3.25)

ACTUAL OUT OF POCKET COST EQUALS RANCH UNIT PURCHASE PRICE DIVIDED BY 12 MONTHS, AND MULTIPLIED BY THE LONG TERM COST OF MONEY. (I.E. (\$1,000/12 = \$83.33x10% = \$8.33 PER A.U.M.; DR. FOWLER, N.M.S.U.)

SOURCE: DR. Darwin Nielsen, Utah State University

## Grazing Fees Make a Sizable Contribution to BLM and Forest Service Range Budgets

The range fee system was never intended as a "pay-as-you-go" system. Even to try to single out the livestock-related range costs is a somewhat murky process because the range resource serves as the basis for many social, economic and environmental products and services. In fact, according to the prevailing principle of "multiple use," our ranges (and the range budgets of the BLM and Forest Service) are mandated to serve many other uses, including wildlife and fish, recreation, timber, and mineral exploration.

Nevertheless, range fees make a substantial contribution to the multiple purposes of range budgets, including the administration of wildlife funds, archeological site preservation, watershed enhancement and so forth. In 1988, out of the \$19 million it spent on administering its grazing program, the Forest Service recouped \$8.7 million from grazing fees--nearly 46 percent.<sup>26</sup> The BLM, meanwhile, recovered all of its grazing program expenditures in 1990.<sup>27</sup> As a basis of comparison, recreation recovers only about 1 percent of its costs through user fees.<sup>28</sup>

Again, even if public grazing ended tomorrow, these Agencies would still be making substantial outlays for mandated range management activities. In 1987, Interior Assistant Secretary Stephen Griles testified such basic activities as monitoring, analysis and management would still require at least 40 percent of BLM's range budget.<sup>29</sup> How would Federal agencies ever make up for such a sudden deficit? No doubt with expensive new programs necessary to manage vegetation and maintain the existing improvements by now vital to wildlife and other range resources.

## Livestock Grazing on Public Lands is Vital to the West

In 1987, the cash receipts from the 2.4 million cattle produced in the thirteen western states came to \$9.2 billion; the 5.8 million sheep in these states came to \$339.1 million. In addition, these states produced nearly 60 percent of the nation's total wool. Considering that half of those cattle and at least 40 percent of the sheep depend on public forage, it becomes evident what a severe impact the loss of public lands grazing would have on the West.

Cattle contributes as much to Montana's economy as wheat does to the economy of Kansas, or oranges to the economy of Florida. But Montana is hardly the only western state that depends on affordable public forage. Eighty-eight percent of Idaho's cattle depend in part on public forage; in states like Wyoming and Arizona, this figure is also high--better than 60 percent.

To states already under severe economic stress as a result of the S&L disaster, the recession, the real estate slump and the last decade's significantly lower oil prices, the effects of a substantial increase would be all the worse. But where the effect would be truly devastating is in the many small western towns and sparsely populated areas--areas already on the edge that heavily depend on public land.

## Grazing on Public Lands is Vital to U.S. Food and Fiber Needs

Still, there's more than just the impact on the West to consider. When 50 percent of U.S. marketable lambs and 20 percent of calves going to feedlots come from public lands in western states, the national impact likewise becomes evident. A related point is that our western public grazing lands are most important as a breeding ground; these are the lands that produce our replacement breeding stock, as well as the stock later sent to feedlots to finish before going to market. This is why commonly used statistics about the amount of red meat the West produces are inherently misleading. A loss of this important breeding ground would have a significant effect on U.S. beef and lamb production. What's more, the U.S. derives 60 percent of its total wool from our western states.

## THE ENVIRONMENTAL ASPECTS OF GRAZING

### "Rangelands Are in Better Condition Than At Any Time This Century"

In its "State of the Public Rangelands 1990," BLM states that "public rangelands are in a better condition than at any time in this century." Even as far back as 1977, Thadis W. Box, President of Society for Range Management and Dean of the College of Natural Resources, Utah State University, said, "Today the ranges of this nation are in the best condition that they have been in in this century." Ranchers, a big part of this success story, have a vital stake in sound environmental management. It's in their economic self-interest. As stewards of the land in partnership with Federal agencies, they have a vital stake in sound environmental management.