

U.S. TAXPAYERS are being swindled of millions of dollars every year by federal agencies which fail to collect the full economic rent from the land they administer.

● The Bureau of Land Management recently lowered its rental rate: the rental price per month per animal is now \$1.37, but private ranchers are sub-letting at about \$12.50 per head of cattle – nine times the federal rental rate!

● Taxpayers ultimately pay the price in higher taxes on wages and capital. In 1981, for example, federal agencies collected \$24.9m in grazing fees. But after paying \$58.5m for costs of managing grasslands and sharing grazing revenues with local governments, the U.S. Treasury was stuck with a \$33.6m deficit – the size of the subsidy paid to ranchers by the nation's taxpayers.

● In Oregon, the Bureau of Land Management's subsidy in 1981 amounted to about \$14 for each domestic animal grazed on BLM rangeland – about \$2,117 for each rancher.

In this article the author, who used to run grazing programmes for the Forest Service, exposes the full extent of a major public scandal.

# Official rip-off!

FROM the beginning, economic policies governing grazing on public lands have been absurd. Before 1906, ranchers exploited public rangelands without cost or legal restraint. Abuse of public lands was rampant and appalling. And when the federal government decided to charge a modest fee for grazing the newly created forest reserves, which eventually became the national forests, livestockmen were furious and unsuccessfully contested the matter clear through the US Supreme Court.

In 1906, the Forest Service began charging 5 cents for a cow and calf and 1 cent for a ewe and lamb for a month's grazing – known as AUM – animal unit month. On public domain lands, however, free grazing continued until 1936, when a fee of 5 cents per cow was charged (by then the Forest Service fee had risen to 13 cents). Although grazing fees have increased over the years, they have never covered public costs of range management and have consistently been lower than costs of leasing private grazing lands. In other words, ranchers using public grazing lands have never paid a fair market value for public forage.

Currently, grazing fees on public lands are set by a formula approved by Congress. Because the formula takes into account ranchers' production costs, the amount of public subsidy paid to ranchers has never been greater. After reaching a peak of \$2.36 per AUM in 1980, the fee has plummeted to \$1.40 in 1983. A series of studies has sought to bring fees closer to a fair market value, yet charge an amount that is fair to permittees and to ranchers who do not use public lands. Even now, another study of grazing fees is in progress, and the Secretaries of Interior and Agriculture must submit a report of the findings to Congress by December 1985.

As the federal government has gradually taken control of grazing on

public lands, management agencies have had to decide who could graze, the length of the grazing season, and the number of animals to be permitted. Because forage on public lands is a great deal less expensive than on private lands, and because the demand for public forage far exceeds availability, ranchers holding federal grazing permits enjoy a highly favoured economic status. This advantage has bestowed a value upon grazing permits; thus, they are now treated as a form of property – bought and sold when livestock and ranches change hands. While acknowledging the cash value of grazing permits, the Forest Service

major impediment to satisfactory management of lands administered by the BLM and the Forest Service. A purchaser of a permit who has paid \$900 for each animal authorized to be grazed by the permit obviously is not likely to be willing to accept any reduction in the number of animals to be grazed. Likewise, the seller of the permit will resist being forced to accept a reduction, for he probably paid the cash value of the permit when he acquired it. A very difficult problem is created in eliminating livestock to provide wildlife habitat, protect a watershed, or serve other important uses of the land.

By Earl D. Sandvig



and BLM insist that grazing permits are a privilege and convey no legal right or title to those permitted to graze public lands. Nevertheless, permits do have a cash value and are sold with base property for as much as \$900 per animal included in the authorized permit. Furthermore, permits are accepted as security for bank loans, included in appraised values of ranches, and have evolved into a form of personal property. This practice has become a grazing right. It is the direct result of underpricing federal grazing lands. It is also a

UNDERPRICING of grazing has caused numerous studies and attempts made by Congress, by federal executive policy, and by federal departments to collect a fair market value for livestock grazing. Fair market value is defined as the agreed price between a willing buyer and a willing seller. None of the several studies has achieved a method or formula for grazing fees that truly represent fair market value. All created a cash value in an authorized permit referred to as "permit value". This "value" is a gift from the government, as the rancher who receives it does nothing to earn it.

There is an obvious solution to eliminating permit value and grazing rights in the use of public lands by livestock. It is selling grazing by competitive bid, as is successfully done by the Navy at Boardman, Oregon, and by the Department of the Army at Las Cruces, New Mexico.

The rangeland managed by the Navy near Boardman is in the northeast quarter of Oregon. A few miles north of the range allotments the Columbia River forms the boundary between Washington and Oregon. Climatically, the land in the general area is very arid, receiving an average of only 8 inches of pre-

precipitation annually, of which 75 per cent is received in the period December through March.

There are two grazing allotments at Boardman, described as the North and South leases. Plans for each lease are practically identical, so the information that follows applies to the North lease. It contains 22,141 acres and an estimated grazing capacity of 2,099 AUMs. The lowest bid submitted for the grazing season of 1982 was \$6.10 per AUM and the high bid was \$12.16 per AUM.

In managing the range allotments, the plans stress "(1) sustained multiple use of these lands for military activities, livestock grazing, wildlife habitat enhancement, and soil and water conservation; and (2) protect the ecological balance to maintain the continued productivity of the land while permitting reasonable economic returns to the lessees."

Military activities are described as the primary purpose for the use of the land. Grazing is secondary and must be conducted subject to military requirements. Activities of the lessee are carefully described to avoid any misunderstanding of the conditions that must be met.

Improvements such as range fences, water developments, and reseeding are constructed at the lessee's expense unless the project or work is classified as a reimbursable expense. All improvements become the property of the government.

**I**N THE management of the livestock, the most important feature is the *control of Grazing Capacity*. Each year the total number of AUMs to be made available is described. Grazing capacity will be increased or decreased depending upon the condition of the range, which is determined

by analysis of study plots. It is the expressed objective to base grazing capacity upon moderate utilization of key forage plants. The Navy reserves the right to reduce the number of AUMs in any lease year.

A most important requirement in each lease is that "the lessee, on a reimbursable basis, shall install ten range analysis study plots, one each on ten different study sites scattered over the leased premises." Photographs are made of these plots and yearly measurements are made of forage productivity and other essential data.

To maintain uniform utilization of the forage, a rest rotation grazing system is used, requiring movement of livestock from pasture to pasture to conform to grazing capacity and moderate use utilization.

Several species of wildlife have been observed in the area. Mule deer use parts of the rangeland seasonally. It is planned to study the feasibility of re-introducing Oregon pronghorn antelope as part of the wildlife enhancement programme. Pheasants, quail, sage grouse, and morning doves are all found in the area. Predators include coyote, fox, bobcat, and badger; golden and bald eagles, sparrow-hawks, and re-trailed hawks are listed among the raptors. Hunting is prohibited, as is the indiscriminate killing of predators.

These plans and their requirements include many excellent features for protecting and improving the condition of these federally owned lands for maintaining their productivity and providing reasonable income to the lessees and the government.

The Boardman plan in selling grazing by competitive bid clearly demonstrates the absurdity of attempting to price grazing by formula, as is the practice followed by several federal agencies. For 1983,

the formula price is established at \$1.40 per AUM, compared to \$12.16 per AUM by competitive bid received for the North allotment at Boardman. If all public land grazing were sold by competitive bid at an estimated \$10 per AUM, the existing deficit of \$33 million taxpayers pay for grazing administration costs would be turned into an annual surplus of \$82.9 million.

To insure that fair treatment is given to all parties of interest, livestock growers using public lands, the public (owners of the land), and livestock growers who do not have access to public lands, the competitive bid system is the only fair solution to the long standing controversy over grazing fees. It should be found to be the most satisfactory method to sell grazing and recommended to and approved by Congress in December 1985.

## NEWS in BRIEF

**BRITAIN** is to have a new Domesday Book, 900 years after William the Conqueror's original register. A new £500,000 survey, conducted by Environment Department officials, is intended to identify rural areas threatened by urban growth, and to pinpoint inner city land available for development. The record will be updated annually, and will divide land into 19 categories of use.

**REAL ESTATE** as a tax shelter was worth \$4,476.7m to U.S. investors last year. Now Internal Revenue officials are pushing politicians in Washington to clamp down on the loss of tax income: raising revenue this way may be more palatable to the Reagan administration than raising tax levels to reduce the budget deficit.

**FARMERS** in Britain's West Country are upset by plans to raise rents by 25%. They are tenants of the Duchy of Cornwall. Rents from the estate go to Prince Charles. Now the farmers have protested to the prince. "None of us thinks it's fair," said one of them who cornered the prince at the Royal Cornwall Show. In 1982, the prince received nearly £1m from the Duchy, the accounts for which show a healthy 20% increase in revenue.

**SCOTTISH** highland owners are being forced by economic pressures to develop their properties, claims Robert Cowan, chairman of the Highlands and Islands Development Board. In a statement to a House of Commons committee, he said: "There is less incentive to hoard land for tax purposes."

**THE FALKLAND** Islands Co. has sold land to Britain for a price that is seven times higher than the going rate of £1 an acre. The 8,300-acre site was needed for a new airport, the construction of which will raise the value of the company's remaining holdings - it owns 43% of the islands. The Ministry of Defence paid £55,000 for the land, plus £100,000 severance compensation.

### CATTLE GRAZING FEES, U.S.A.

This table shows the fees charged per animal unit month for grazing on Bureau of Land Management lands, compared to the average amount charged for pasturing cattle on privately-owned land in the nine western states, and the amount charged on a competitive bid basis for grazing on the McGregor Range (government-owned land administered by the U.S. Army) in New Mexico. Private land may be slightly more productive than the other two categories.

	BLM	Private Lands \$	McGregor Range \$
1972	0.66	4.30	2.07
1973	0.78	4.70	2.51
1974	1.00	5.40	3.41
1975	1.00	5.80	4.39
1976	1.51	6.50	5.31
1977	1.51	7.20	5.43
1978	1.51	6.90	3.81
1979	1.89	7.50	4.73
1980	2.36	8.40	5.38
1981	2.31	9.40	6.53
1982	1.86	N/A	N/A
1983	1.40	N/A	N/A
1984	1.37	N/A	N/A