

STATE BOARD OF LAND COMMISSIONERS
March 17, 2015
Information Agenda

SUBJECT

Grazing lease rate for calendar year 2016

BACKGROUND

In 1993, the Land Board adopted a formula to determine the annual grazing fee for leases on state endowment trust land. The formula is based upon four indices used to approximate the value of forage on state endowment trust land and is applied on an Animal Unit per Month (AUM) basis. These indices include private lease rates or forage value, prices received for beef cattle, and the price of inputs to produce beef cattle. The indices are published each December and January by the USDA National Agricultural Statistics Service (NASS) and reflect information gathered for the previous 12 month period.

The AUM fee formula as approved by the Land Board states that if the previous 12 month (October 1 - September 30) average lamb price is less than or equal to 70% of the price for calves under 500 pounds during the same period, the sheep AUM rate will be reduced 25%. Price data will be reviewed in early October 2015 to determine if the lamb and calf price difference is sufficient to result in a lower AUM rate for sheep operators in 2016.

DISCUSSION

Due to the publication date of the indices and the statutory requirement to provide state grazing lessees with notification at least six months prior to any increase in rental rates, the grazing fee rate is determined one year prior to the effective date. Therefore the rate discussed in this memo will be the grazing fee rate effective 2016.

Based on the most recent indices reported, the grazing fee for 2016 will be \$8.09 per AUM. This figure represents an increase of approximately 16% from the 2015 AUM rate of \$6.77. The primary driver of the higher rate was an 18% increase in the beef cattle price (BCP) index, an index of the prices received by producers for beef cattle. Additional factors in the 2016 grazing fee include an increase of 7% in the reported private lease rate for the 11 western states (FVI) to \$19.70 per head, an increase of 7% in the private lease rate reported for Idaho (IDFVI) to \$16.50 per AUM, and a 2% increase in the prices paid index for the 11 western states (PPI), as reported by USDA NASS.

All grazing lessees and cropland lessees reporting grazing activities will be notified of the 2016 rate as part of their 2015 rental billing.

ATTACHMENTS

1. 2016 AUM Rate Calculation

Attachment 1
2016 AUM Rate Calculation

Land Board Adopted AUM Formula:

$$\text{IDFVI}_{t+2} = -6.92 + (0.13 \times \text{FVI}_t) + (0.60 \times \text{BCPI}_t) - (0.33 \times \text{PPI}_t) + (0.74 \times \text{IDFVI}_t)$$

$$\text{AUM Rate} = \text{IDFVI}_{t+2}/100 \times 1.70$$

Where

IDFVI (_{t+2}) is the predicted value of the Idaho Forage Value Index for the year the grazing fee is to be set, i.e. two years hence;

FVI_t is the most recent published Forage Value Index for the 11 western states;

BCPI_t is the most recent published Beef Cattle Price Index for the 11 western states;

PPI_t is the most recent published Prices Paid Index for the 11 western states;

IDFVI_t is the most recent published value for the Forage Value Index for Idaho.

2016 Calculation

Forage Value Index (FVI)	=	540
Beef Cattle Price Index (BCPI)	=	646
Prices Paid Index (PPI)	=	1015
Idaho FVI (IDFVI)	=	487

$$\begin{aligned} \text{2016 IDFVI: } & -6.92 + (.13 \times 540) + (.6 \times 646) - (.33 \times 1015) + (.74 \times 487) \\ & = 475.97 \end{aligned}$$

$$\begin{aligned} \text{2016 Fee} & = 475.97/100 \times \$1.70 \text{ Base Value} \\ & = \$8.09/\text{AUM} \end{aligned}$$