

STATE BOARD OF LAND COMMISSIONERS  
March 15, 2016  
Information Agenda

SUBJECT

Grazing Lease Rate for Calendar Year 2017

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 2016 to determine if the lamb and calf price difference is sufficient to result in a lower AUM rate for sheep operators in 2017.

DISCUSSION

Due to the publication date of the indices and the statutory requirement to provide state grazing lessees with notification at least one hundred eighty (180) days prior to any increase in rental rates, the grazing fee rate is determined one (1) year prior to the effective date. Therefore the rate discussed in this memo will be the grazing fee rate effective 2017.

Based on the most recent indices reported, the grazing fee for 2017 will be \$9.01 per AUM. This figure represents an increase of approximately 11% from the 2016 AUM rate of \$8.09. The primary driver of this increase is the high beef prices in 2015 by producers for beef cattle. FVI 2.5% increase. BCPI 4.5% increase. PPI 7.1% decrease. IDFVI 2.8% increase.

All grazing lessees and cropland lessees reporting grazing activities will be notified of the 2017 rate as part of their 2016 rental billing.

ATTACHMENTS

1. 2017 AUM Rate Calculation

## 2017 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** is the most recent published Forage Value Index for the 11 western states;

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

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

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

### 2017 Calculation

Forage Value Index (FVI)	=	548
Beef Cattle Price Index (BCPI)	=	676
Prices Paid Index (PPI)	=	943
Idaho FVI (IDFVI)	=	501

2017 IDFVI:  $-6.92 + (.13 \times 548) + (.6 \times 676) - (.33 \times 943) + (.74 \times 501) = 529.47$

2017 Fee:  $529.47/100 \times \$1.70 \text{ Base Value} = \$9.01/\text{AUM}$