

# STATE BOARD OF LAND COMMISSIONERS

October 17, 2019  
Information Agenda

## Subject

Grazing Lease Rate for Calendar Year 2020 and Non-Fee Grazing Cost Study Update

## Background

In 1993, the State Board of Land Commissioners (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, forage value, prices received for beef cattle, and the price of inputs to produce beef cattle. The USDA National Agricultural Statistics Service (NASS) publishes these indices in December and January, reflecting data from 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 reviewed this month has shown that a reduction will not be necessary.

The Land Board and Idaho Department of Lands (Department) are reviewing the 1993 rate formula for potential revision or replacement. During the August 21, 2018 Land Board meeting, the Land Board decided to keep the status quo grazing rate formula and directed the Department to continue to review the grazing rate. Pivotal to this review is a study by the University of Wyoming (University) to determine the non-fee cost of grazing livestock on state endowment trust lands. The University projected completion of this study by September 1, 2019, but poor response rates from lessees have delayed the study. The Department is working with the University to increase lessee participation. The projected completion date of the study is now February 2020. Due to the delay in the completion of the study, the Department is moving forward with the status quo grazing rate formula for the 2020 AUM rate in order to meet noticing requirements to lessees.

## Discussion

### 2020 Grazing Rate

Based on the most recent indices reported, the grazing fee for calendar year 2020 will be \$7.32 per AUM (Attachment 1). This figure represents a decrease of approximately 3% from the 2019 AUM rate of \$7.56. The primary driver of the decrease was a small drop in beef cattle prices and an increase in the prices paid for production inputs. Formula value changes are as follows:

Value	% Change
FVI – Forage Value Index	Increase of 3.69%
BCPI – Beef Cattle Price Index	Decrease of 2.2%
PPI – Prices Paid Index	Increase of 3.1%
IDFVI – Idaho Forage Value Index	No Change

All grazing lessees and cropland lessees reporting grazing activities will be notified of the 2020 rate within 6 months of the new rate taking effect.

### Non-Fee Grazing Cost Study

On March 6, 2019, the Department executed a contract with the University of Wyoming to conduct a study to determine the non-fee grazing costs associated with the use of a state grazing lease. The University, with input from the Department, developed the research plan, cover letters, and survey questionnaire. The University of Wyoming Ethics Board approved the materials and the research project on June 13, 2019 and the study began. In order to achieve results that were statistically significant, the University determined that at least 90 lessees, chosen at random, should be surveyed. Response rates to this survey have been poor, with only 22 responses from lessees. Based on information gathered by the University and the Department, two issues may be contributing to this low response rate from lessees:

- 1) Survey Timing – Lessees have expressed concern to the University researchers that summer is not ideal for a majority of ranchers to spend time filling out a detailed survey.
- 2) Communication – Letters and notices regarding the study were mailed by the University, which led to some confusion among ranchers as to the authenticity of these communications and the study itself.

To improve survey response rates, the Department and the University will do the following:

- 1) The University will redouble efforts to contact lessees and solicit survey responses from October through January 2020. Ranchers have indicated that these times of the year are more suitable for them to respond.
- 2) The Department will mail letters to all lessees, reminding them of the study and its importance, and notifying lessees to expect communication from out-of-state University of Wyoming contract staff regarding the study.
- 3) Extensive outreach to area staff to better address survey questions from lessees.

Study results are expected by February 2020.

### Attachments

1. 2020 AUM Rate Calculation

## 2020 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<sub>t</sub>** is the most recent published Forage Value Index for the 11 western states;

**BCPI<sub>t</sub>** is the most recent published Beef Cattle Price Index for the 11 western states;

**PPI<sub>t</sub>** is the most recent published Prices Paid Index for the 11 western states;

**IDFVI<sub>t</sub>** is the most recent published value for the Forage Value Index for Idaho.

### 2020 Calculation

Forage Value Index (FVI)	=	562
Beef Cattle Price Index (BCPI)	=	499
Prices Paid Index (PPI)	=	993
Idaho FVI (IDFVI)	=	531

$$\begin{aligned} \text{2020 IDFVI: } & -6.92 + (.13 \times 562) + (.6 \times 499) - (.33 \times 993) + (.74 \times 531) \\ & = 430.79 \end{aligned}$$

$$\begin{aligned} \text{2020 Fee} & = 430.79/100 \times \$1.70 \text{ Base Value} \\ & = \$7.32/\text{AUM} \end{aligned}$$