

# STATE BOARD OF LAND COMMISSIONERS

October 20, 2020

Regular Agenda

## Subject

Grazing Rate Formula and 2021 Grazing Lease Rate

## Question Presented

Shall the Land Board approve the Department's proposed course of action to update the current grazing rate formula?

## 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 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 of each year, reflecting data from the previous 12-month period. The grazing rate for 2021 is calculated to be \$7.07/AUM.

The 2021 grazing rate (status quo formula) is the 4th year of declining Department rates, while private lease rates remain steady. The gap between the Department rate and private lease rates continues to widen. The rate disparity has occurred and in fact grown since the 1990's, highlighting the continued need for evaluation.

As a part of that grazing rate evaluation process, the Land Board directed the Department to engage with the University of Wyoming (UW) regarding their collaborative project with the Public Lands Council Endowment Trust to provide an up-to-date, third-party study on the non-fee costs for federal rangeland grazing. In 2019, the Department and UW finalized an agreement for a study that followed the same methodology but would seek to estimate the non-fee costs to graze on endowment land. The Department received the report from UW, which the university deemed final (Attachment 1).

## Discussion

### 2021 Grazing Lease Rate

To align with the rental rate notice requirements in Idaho Administrative Code 20.03.14, the 1993 status quo formula will be used for the 2021 grazing rate. Based on the most recent indices reported, the grazing rate for 2021 will be \$7.07 per AUM. This figure represents a decrease of approximately 3% from the 2020 rate of \$7.32. The primary drivers of the

change in rate were a decrease in the Forage Value Index and an increase in the prices paid for production inputs. Formula value changes are as follows:

Value	% Change
FVI – Forage Value Index	Decrease of 3%
BCPI – Beef Cattle Price Index	No Significant Change
PPI – Prices Paid Index	Increase of 4%
IDFVI – Idaho Forage Value Index	No Significant Change

The AUM fee formula for sheep as approved by the Land Board provides 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 by the Idaho Department of Lands (Department) this month has shown that an additional reduction beyond the cattle AUM rate will not be necessary.

All grazing lessees and cropland lessees reporting grazing activities will be notified of the 2021 rate within six months of the new rate taking effect.

### University of Wyoming Grazing Rate Study

The Department found significant issues with the UW grazing rate study, as outlined in Attachment 2: *Analysis of Non-Fee Grazing Cost Study for the Idaho Department of Lands*. The primary concern is the low response rate from lessees, resulting in only 38 lessees being surveyed, while the original requirement was to survey 86 lessees to achieve statistical significance. Due to the low response rate and lack of statistical significance, the Department cannot confidently rely on this study alone to decide the grazing rate.

### Next Steps

The Department proposes to work with Land Board and Department staffs to synthesize data from previous working groups, Department analyses, the UW grazing rate study, previously collected public input, and other available information, including meetings with stakeholders, to formulate grazing rate options for the Land Board's consideration. For example, instead of focusing on complicated formulas, the Department could use a simple formula that establishes the Department grazing rate as a percentage of the private lease rate. Regardless of the methodology, it will be the goal of the Department to recommend a method to establish the lease rate that achieves a fair market rate for the endowment beneficiaries. A decision regarding the grazing rate must be made by September 2021 in order to establish a new rate for 2022. Accordingly, the Department would present its

recommendation to the Land Board no later than July 2021 to allow time to address any concerns or comments by the Land Board prior to adopting the 2022 grazing rate.

### **Recommendation**

Direct the Department to coordinate with Land Board staff, gather and review pertinent information, engage with stakeholders, and conduct any other work necessary to recommend a grazing rate method to the Land Board no later than July 2021.

### **Board Action**

### **Attachments**

1. UW Non-Fee Grazing Cost Study Final Report for IDL
2. IDL Analysis of UW Non-Fee Grazing Cost Study



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