

# Statement Concerning Non- Fee Costs and Economic Benefit Associated with Using Federal and/or State Land Grazing

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The vast majority of grazing occurs on Idaho's rangelands comprising approximately 23 million acres and accounting for approximately 48% of the state's land area. These Idaho rangelands are approximately 80% State and Federal lands. The Idaho Department of Lands manages 1,153 grazing leases that cover 1,732,502 acres of state endowment trust lands comprising about 257,950 AUMS of forage.

The total forage produced on these Federal, State, and private rangelands play an important role in the success and long term viability of Idaho's ranches. Many, if not most, Idaho ranching operations utilize more than one sources to balance their grazing needs. And, in addition to the importance of balancing and managing the forage needs of the ranch, the costs associated with each of the grazing sources is equally important. These costs includes not only the lease rate but also, the other or non-fee costs associated with grazing Federal and State lands. Therefore, it is difficult if not impossible to separate Federal and / or State land leases when addressing issues and costs associated with these leases. Ranches are in the business of converting forage to beef and the value created is important to Idaho's economy. Those non-fee grazing dollars spent to produce Idaho beef are the beginning of the income multiplier effect.

In addition to the income multiplier effect through dollars spent with Idaho businesses, other ranch activities associated with grazing leased lands create direct benefit to the State grazing resource and ultimately, the leaseholder. Fire suppression through grazing or ranch "boots on the ground" is a prime example. In addition, water resource development and management, and infrastructure management, i.e. fences are also direct benefits to the landholder or the people of Idaho. Other tangible benefits occur as well depending upon the

particular lease. While the value of these activities may be difficult to quantify in actual dollar terms either individually or in total, the importance of grazing in managing Federal and State lands cannot be diminished. A win-win situation has been established. Both parties benefit.

So, shifting to dollars spent, what does it cost a rancher in Idaho to graze cattle on a Federal or State lands grazing lease? This is an important question and one that is often asked when BLM, Forest Service, or Idaho State lands grazing is discussed whether it be in the courtroom, the Idaho legislature, the U.S. Congress, ICA, or the coffee shop. The answer to the question of Federal or State lease grazing costs may seem simple – it's the Federal grazing fee which is currently \$1.87 per Animal Unit Month (AUM) or \$9.01 per AUM for Idaho State land leases. However, this \$1.87 or \$9.01 fee is only part of the total cost – that part calculated annually by the Federal grazing fee formula or the IDL formula for State lease lands. The true cost of grazing on Federal and State lands goes well beyond the lease fee.

Grazing costs other than the lease fee include the costs associated with turning cattle out, moving cattle during the grazing season, gathering cattle, fence maintenance, and maintenance of man-made water sources (pipelines, troughs, etc.) just to name a few. Because there can be vast differences between grazing permits based on season of use, the topography of the land, availability and access to water, etc. the non-fee costs to utilize Federal and State grazing can be quite variable between ranches and allotments. They can also represent a significant share of a ranch's cost structure.

Over the past 35 years non-fee Federal and State lands grazing costs have generally ranged from \$15 - \$25 per AUM. These figures are based on ranch analysis that I have completed over that period in support of litigation, testimony, and cost analysis for management. Because of circumstances affecting the grazing on any particular allotment, these non-fee costs can fall outside the \$15 - \$25 range. A definitive "average" non-fee cost doesn't exist simply because there is no "average" ranch. Every ranching operation has a unique set of circumstances that defines its cost structure, revenue, and ultimately profit and loss statement. Various lease conditions are one contributing factor to those unique circumstances. However, based on my experience of analyzing ranch budgets, the indicated range is a sound guide.

In addition to the beneficial activities and dollars spent by ranchers to use State and Federal grazing leases, the benefit derived by ranches holding these leases for a long period of time often goes unmentioned. The greater the longevity of the lease arrangement, the greater the incentive to initiate longer term goals toward managing the resources. This lends stability toward achieving those goals benefiting both the rancher and the State of Idaho.

In conclusion, Federal lands and State lands grazing is important to the Idaho beef industry. Furthermore, the costs associated with Federal lands grazing is also important and these costs are driven by costs other than the Federal grazing fee or the State lands lease fee. Decisions concerning Federal grazing land and the State land grazing lease fee and the permits held by Idaho ranches grazing on those lands affect the Idaho cattle and beef industry, individual ranches holding those leases, and the economy of the state of Idaho.

The appendix to this statement includes an analysis that I completed in 1995 for J.R. Simplot Company regarding a State land lease dispute. I provided testimony at a hearing before the State Land Board and while this report is not current, the methodology and conclusions are still relevant in 2017. While this report concerns only 64 AUMs of State land grazing, it provides an accurate and acceptable analysis concerning the benefit of Federal and State land leases to ranchers, local economies and Idaho as business activity dollars associated with grazing trickle through the economy. In addition and just important, it illustrates a ranch budget and actual dollars spent to raise cattle and produce beef in Idaho.

## Appendix

An Economic Evaluation of Leased State Grazing

Simplot Livestock Company

Owyhee County, Idaho

Prepared by

John S. Nalivka

March 14, 1995

# **I**ntermountain **IR**esource **RE**conomics

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## **An Economic Evaluation of Leased State Grazing**

**Simplot Livestock Company  
Owyhee County, Idaho**

**Prepared  
for**

**Simplot Agriculture Group  
J.R. Simplot Company  
Grand View, Idaho**

**John S. Nalivka  
March 14, 1995**

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## AN ECONOMIC EVALUATION OF LEASED STATE GRAZING SIMPLOT LIVESTOCK COMPANY OWYHEE COUNTY, IDAHO

John S. Nalivka

March 14, 1995

This economic study was commissioned by the **Simplot Agriculture Group of J.R. Simplot Company**, Grandview, Idaho on December 6, 1994. The analysis was contracted in order to determine the micro and macro economic values of a specified state grazing lease recently lost by Simplot Livestock in a conflict auction. The economic data necessary to complete this analysis was compiled through the review of accounting records related to the cow-calf operation utilizing this lease, company background feeding records, feedlot finishing records, and personal discussions with Mr. Chuck Jones of Simplot Livestock. Through discussions with Mr. Jones, I was familiarized with various aspects of Simplot Livestock's cattle operation in Owyhee County and specifically, the use of this state lease. In this analysis, I used costs of production to determine the value-added contribution of an AUM of forage for this specific cattle operation as it relates to the value of the ranch and Owyhee County.

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### BACKGROUND AND OVERVIEW

At a value of \$1.2 billion, cattle production in the state of Idaho ranks as the state's leading contributor to agricultural economic activity. In addition to tax revenue generated from income on sales of cattle and beef, the state as a leaseholder, also realizes direct revenues in the form of grazing leases as state lands are a major source of grazing. There is significant economic activity generated and supported indirectly either through employment in this sector of agriculture or through the purchase of inputs to the industry. Consequently, the size and economic health of the cattle and beef industry will have a direct as well as indirect impact on the local and State economies.

This analysis concerns determining the value of 64 AUMs of forage contained within a school section of land, owned by the State of Idaho and until recently leased to Simplot Livestock in Owyhee County, Idaho. This section of land and the corresponding AUMs of forage are considered of strategic importance to this operation. While the objective is to estimate the value of the State AUMs, I feel it is just as meaningful to discuss the economics of the ranch and why every AUM, regardless of source, is just as important as the next one.

### **RANCH ECONOMICS**

All economic activity pertaining to cattle production is ultimately concerned with the availability and utilization of forage and water. Therefore, the value of production for a given ranch is often viewed in terms of an AUM of forage. Any change in the quantity or quality of forage available to the cattle operation affects the productive capacity of the ranch and subsequently, the value of the ranch and its contribution to the local economy. Together with the forage base, are other characteristics pertaining to a specific ranch. It is the combination of all resources and these specific characteristics which contribute to the overall success and long term economic viability of a given ranch or in this case, Simplot's Owyhee County operation.

Each AUM of forage makes an additive, incremental contribution to the cattle grazing operation. To reduce or limit the use of those available AUMs more often than not reduces the ranch's ability to reach its optimal production potential. The ability to retain ownership of a calf and "extend the first owner's use of that calf" as illustrated by this particular Simplot Livestock ranch will not only add value to the calf, but also to the forage AUMs on the ranch. And while this additional value is partially derived from intensive feeding in a backgrounding and finishing lot, the importance of the grazing AUM utilized at the cow-calf end of the operation cannot be diminished in the final analysis. Consequently, the total value contributed by each stage of production is additive and becomes the total forage AUM value for the ranch.

Someone unfamiliar with the industry or a specific ranching operation may view a particular ranch attribute or resource as seemingly insignificant. However, the interdependence of all resources used by the ranch are all generally integral to the performance of the operation, its

productive capacity and ultimately, its economic value. It is the continued existence of this resource balance which is so important to the on-going operation and consequently, it is difficult, if not impossible, to begin separating any of the aspects of a successful cattle grazing operation in the Western U.S. This is particularly true of the forage AUMs which, more often than not for Western range operations, must be closely balanced according to season of use, forage quantity and quality, water availability and accessibility. This harmony is constantly jeopardized by occurrences such as drought, fire, and for most operators, decisions concerning Federal land grazing.

In the Western U.S., if the economic viability of cattle grazing operations are in question, then the economic viability of a rural economy is also generally in question, particularly if that economy is not diverse.

### **ANALYTIC METHOD**

This analysis is developed using costs of production for the cow-calf, backgrounding, and feedlot stages of production on this Owyhee County, Idaho ranch. This cost approach, while differing from the other commonly used method which estimates the value of production on the basis of net return, is both appropriate and valid for this analysis because the Simplot operation retains ownership of the calf through the feedlot finishing stage. In addition, these production costs to the ranch are prices to suppliers of inputs and thus, reflect local economic activity. If the calves were sold as weaned calves and taken out of the state, the economic activity attributed to the ranch ends at that point. Consequently, this operation of retained ownership not only allows Simplot Livestock to capture greater value from the extended use of the calf, it also truly generates greater economic activity to the local & regional economies. In a sense, the local economy is also capturing a portion of the "added-value" as local resources (labor and input markets) contribute to the backgrounding and feedlot stages of production.

To best depict an average cost schedule for this ranch, I used a 5-year average (1989-1993) of costs for this operation, including those for the cow-calf operation, backgrounding, and feedlot. In addition, the analysis uses the same 5-year average for production and performance

parameters on this operation. The costs of production at the cow-calf and backgrounding stages of production are related to the per pound costs for the weight when the calf will be transferred to the next stage and this becomes a transfer cost to that next stage. In other words, the calf is not valued at a market price, but instead at a value equal to the cost to attain weight at which he is transferred. The difference between the per head values at the beginning and the end of a stage of production can be viewed as the value added on a cost basis. This is similar to determining the value added using a market price and subtracting the costs of production.

Once the value added to a calf has been estimated for the cow-calf, backgrounding, and feedlot enterprises, these separate values are added to render a total value added to the calf from birth to finished slaughter weight. This per head value is then divided by 15 months (time from birth to slaughter) to generate a per AUM value for that same value-added determination. This value is the contribution to value for a calf born, raised, weaned, backgrounded, and fed to slaughter weight in the Simplot Livestock operation in Owyhee County, Idaho relative to the brood cow herd (AUM basis) forming the foundation of production for this ranch. This same value is the basis for determining the value of the 64 AUMs involved in the state lease in question. As indicated earlier,, this is valid because AUMs of forage associated with a specific ranching operation are inseparable with regard to the determination of total economic value of that ranch and therefore, must be assigned equal value.

#### **COW-CALF COSTS OF PRODUCTION**

For the cow-calf operation, the 1989-1993 average total annual cost to maintain a cow and raise a calf was **\$310** or \$26 on a per AUM basis. These total costs when related to the 500 pound weaned calf, indicate an average over the period of **73¢ per pound** to raise a calf to weaning and this value then represents the transfer value of the calf to the backgrounding program in this cost approach. For the 1989-1993 average, total feed costs account for 38% of the total costs for this operation. The total \$310 per head cost to produce a marketable calf represents the value added at the cow-calf level of production. The market may assign a higher or lower value, but in the cost approach, the value is in parity with the cost to produce and raise the calf.

### BACKGROUND FEEDING

For the time-frame considered, calves are transferred into the backgrounding program at an average weight of 500 pounds and an average cost of 73¢ per pound or \$366 per head. These calves are fed to gain an average 2.25 pound per day. At the end of the 5 month feeding period, the calves weigh an average 831 pounds and will be placed on full feed in a finishing lot. At an average \$.4867 per pound cost of gain, the total feed and yardage costs totaled **\$161.30 per head** for this feeding period and these costs become the relevant added value to the calves.

### FINISHING FEEDLOT

The yearlings are transferred into the feedlot at an average weight of 831 pounds from the backgrounding program and an average cost of 64¢ per pound or \$528 per head. After an average 110 days on feed and gaining an average of 3.03 pounds per day, the cattle finish at an average weight of 1,166 pounds. The average cost of gain is \$.5124 per pound for feed and yardage and this yields a total **per head cost of \$170.94** to reach the finished market weight. Therefore, the average value added in the feedlot is estimated to be \$170.94.

### VALUE-ADDED CONTRIBUTION SIMPLIT LIVESTOCK OWYHEE COUNTY, IDAHO

Stage of Production	Per Head Value
Cow-Calf	\$310.03
Backgrounding	\$161.30
Finishing	\$170.94
<b>Birth ⇔ Slaughter weight</b>	<b>\$642.27</b>

## STATE LEASE VALUATION

The per AUM value is used to estimate the impact of the 64 AUMs associated with the state grazing relative to Simplot's ranching operation and the local economy. By dividing the \$642.27 per head value by 15 months (total time from birth to slaughter), the **per AUM value is \$42.82** which indicates that by retaining ownership of the calves until they reach an average finished slaughter weight of 1166 pounds, Simplot Livestock adds an additional \$17 to the per AUM value associated with the cow-calf enterprise stage of production.

The direct impact to Simplot on an annual basis is the 64 state AUMs multiplied by \$42.82 per AUM which yields a value of \$2,740. To determine the county impact, an income multiplier of 1.5 was used. This multiplier is in the mid-range of multipliers generated by Input-Output models describing economic activity in many western counties. A recent study by Oregon State University modeling the economy of Grant County, Oregon estimated a ranching multiplier of 2.0. Another study for Malheur County, Oregon derived a multiplier of 1.1 for livestock production. It would be reasonable to assume a higher multiplier for Owyhee County because more cattle are raised and fed in the county than in Malheur County for instance and therefore, there are few "leakages" to the economic activity.

By multiplying the direct impact of \$2,740 by 1.5, the estimated annual county impact of Simplot Livestock utilizing the 64 AUMs in its ranching operation is \$4,111. In other words, there is \$4,111 worth of economic activity generated at the local level as a result of grazing activity associated with those AUMs. These values can be estimated over the life of a 10 year lease by capitalizing the annual impact at a relevant capitalization (interest) rate. So, by incorporating the state AUMs into the Simplot ranching operation, the estimated economic impact to Owyhee County over the 10 year lease is **\$54,180**. The following table summarizes the direct and county impact values of the 64 state AUMs.

## THE COST APPROACH TO VALUING FORAGE

This **Economic Evaluation of Simplot Livestock's Leased State Grazing** uses a cost approach as a means to estimate the value added relative to an AUM. In other words, the study views the ranching operation in terms of the contribution to value from the time a calf is born until he is marketed as fed beef from the feedlot. I emphasize that this is a *cost approach*. This estimated value is then used to determine the economic impact of this operation on the local economy through the multiplier effect. For every dollar spent by Simplot to graze cattle and ultimately, to produce finished beef, the local economy will benefit by an estimated \$1.50 in terms of economic activity as the costs of production to Simplot become prices received for inputs by local businesses. In addition, wages earned by ranch employees are spent at local businesses.

There is a sharp distinction between this study and others which place a value on an AUM of grazing. This study views only the cost side of the business and uses these costs as a *transfer value* between the three enterprises of the operation. Other studies view the ranching operation in terms of an income stream and evaluate the ranching business and the value of an AUM in terms of both costs and receipts or net returns. The value of the net income stream per AUM is then capitalized to estimate the value of an AUM. The difference between a grazing lease fee and the total costs is attributed to the *non fee costs* and it is these non fee costs which are the least understood component of any issues dealing with state and Federal leases. So, with regard to Simplot's operation in Owyhee County, the difference between \$42.82 and the \$4.53 state lease fee are the other costs associated with operating the ranch and raising cattle in Owyhee County. **THE \$42.82 IS NOT THE CAPITALIZED VALUE OF THE NET INCOME STREAM ACCRUING TO THE RANCH. IT IS ONLY THE ASSOCIATED COSTS WITH NO REFERENCE TO REVENUE OR RECEIPTS.** Because the primary objective was to determine macroeconomic impact, the cost approach was a more appropriate methodology for this particular analysis.

What I have estimated is the total value contributed to an AUM of grazing for Simplot Livestock's Owyhee County operation. The costs I have estimated are entirely consistent with those generated from other studies which I have completed on Western states ranches as well as grazing fee studies completed by other economists.

While I have illustrated the economics of this Idaho lease to Simplot Livestock and the state of Idaho with regard to grazing, quantifying the economics of other competing uses such as recreation which lack market-derived values is not as straight-forward. Forage is the primary input to beef production and consequently is valued according to prices which are generated in the market. On the other hand, recreation is generally referred to in terms of recreational visitor days which is 12 person-hours of recreational activity.

The costs as well as the revenue generated by each recreational visitor day must be determined and the extent of the economic impact would depend upon the recreational activity, the dollars spent in pursuing that activity, and where those dollars were spent. Certainly, a week's stay at a resort hotel in a State or National Park by a family of four purchasing food and gas from local businesses generates more dollars than a one-day drive through that same park by a single person who brought a picnic lunch from home.. By the same token, direct revenue is realized to the state from the sale of hunting and fishing licenses, but the issue still exists concerning the multiplier effect on the local economy. Even though out-of-state licenses generate the most direct dollars, how many of those hunters or fishermen made most major purchases at home and will spend the entire hunting trip in a camp?

While recreation is important to Idaho and does generate revenue, both directly and indirectly, its economic impact probably pales when compared to the dollars generated for state grazing leases.

**STATE LEASE IMPACT  
SIMPLOT LIVESTOCK  
OWYHEE COUNTY, IDAHO**

<b>ANNUAL</b>		
	<b>DIRECT</b>	⇨ \$2,740
	<b>COUNTY</b>	⇨ \$4,111
<b>LIFE OF LEASE (10 years)</b>		
	<b>DIRECT</b>	⇨ \$36,120
	<b>COUNTY</b>	⇨ \$54,180

**ECONOMIC IMPACT  
SIMPLOT LIVESTOCK USE VS GRAZING NON USE  
Owyhee County, Idaho**

<b>SIMPLOT LIVESTOCK USE</b>		<b>GRAZING NON USE</b>
<u><b>Cash Revenue to State</b></u>		
Initial Bid	\$605	\$630
Annual grazing fee	\$290	\$290
Life of Lease Total	\$3,505	\$3,530
<u><b>Economic Activity</b></u>		
<b>ANNUAL DIRECT</b>	⇨ \$2,740	0
<b>COUNTY BENEFIT</b>	⇨ \$4,111	0
<b>10 YEAR LEASE DIRECT</b>	⇨ \$36,120	0
<b>COUNTY BENEFIT</b>	⇨ \$54,180	0

## SUMMARY

Agricultural production in Idaho is valued at \$2 billion. Cattle production at \$1.2 billion ranks as the states leading contributor to the value of agricultural production. This cattle and beef economy is comprised of cattle grazing operations, feedlots, and beef packing plants which together generate major economic activity to the state. Grazing is the major production input to the state's one-half million beef cow herd and this grazing is provided by Federal, state, and private sources. Any reduction in this forage resource for whatever reason impacts the value of cattle production and ultimately, will reduce the economic activity attributed to cattle production. It is difficult, if not impossible, to distinguish the value of AUM of forage with regard to source as the economic viability of the operation is dependent upon maintenance of the balance between all resources available and utilized by a ranch.

Using a cost approach, this analysis estimates that Simplot's integrated cattle operation in Owyhee County has a per AUM value of \$42.82. Using this value, I then estimated that Simplot's state lease of 640 acres with 64 AUMs of grazing in Owyhee County contribute \$2,740 to that operation each year. Capitalized over the life of the 10 year lease, the lease results in a direct benefit of \$36,120 as a result of the ranch's integrated production.

Through the multiplier effect, Simplot's use of this lease for grazing has substantial impact on local economic activity and this value is in addition to the lease fees and taxes collected by the state. On an annual basis, the use of the 64 AUMs for grazing generates an estimated \$4,111 in economic activity to Owyhee County. Capitalized over the 10 year life of the lease at a 6% rate, these same 64 AUMs **will produce \$54,180 in economic activity**. In comparison, if the lease is not used for grazing for 10 years, the state will collect the relevant bid and lease fees, but there will be no dollar benefit to the local economy.

# **Budget Tables**

# Ranch Costs and Returns

J.R. Simplot Company

Owyhee County, Idaho

	1989	1990	1991	1992	1993	1989-93 Average	1989-93 Total
<b>REVENUES:</b>							
Livestock transfer	538,170	671,901	708,009	537,588	581,697		
<b>VARIABLE COSTS</b>							
<b>Feed:</b>							
Pasture	114,480	88,779	113,982	89,698	105,067	102,401	512,006
Supplement	11,430	4,033	19,197	(656)	20,261	10,853	54,265
Feed	14,616	40,156	48,549	785	4,389	21,699	108,495
Hay	7,514	121		4,626	11,752	6,003	24,013
Grazing fees				49,192	39,776	44,484	88,968
<b>Total feed</b>	<b>148,040</b>	<b>133,089</b>	<b>181,728</b>	<b>143,645</b>	<b>181,245</b>	<b>157,549</b>	<b>787,747</b>
<b>Other operating costs:</b>							
Labor	74,641	126,967	106,627	96,283	111,157	103,135	515,675
Repairs & maint.	35,207	30,450	38,499	22,581	25,298	30,407	152,035
Supplies	2,400	994	2,767	964	2,859	1,997	9,984
Fuel, oil, tires	10,385	16,402	22,476	8,996	3,417	12,335	61,676
Rentals	8,554	52,806	48,159	7,632	4,589	24,348	121,740
Taxes & licenses	6,883	6,567	16,064	8,465	7,111	9,018	45,090
Utilities	5,022	2,767	2,322	4,073	2,137	3,264	16,321
Insurance	6,401	21,477	12,849	925		10,413	41,652
Miscellaneous		4,676	11,202	122	258	4,065	16,258
Freight	11,961	22,077	10,075	2,354	12,393	11,772	58,860
Veterinary medicine	13,379	28,609	19,517	16,538	8,340	17,277	86,383
Joint use equip.	15,519	17,532	21,158	9,574	19,118	16,580	82,901
First calf heifer cost	1,387	(31,873)		6,939	16,632		
Replmnt heifers							
<b>Subtotal</b>	<b>191,739</b>	<b>299,451</b>	<b>311,715</b>	<b>185,446</b>	<b>213,309</b>	<b>240,332</b>	
Selling expense		664					
Cow-calf burden	2,843	2,968	3,631	10,830	14,609	6,976	34,881
Interest	4,628	30,276	12,070	10,118	8,479	13,114	65,571
<b>TOTAL CASH COSTS</b>	<b>347,250</b>	<b>466,448</b>	<b>509,144</b>	<b>350,039</b>	<b>417,642</b>	<b>418,105</b>	<b>2,090,523</b>
<b>Per cow</b>	<b>150.52</b>	<b>241.43</b>	<b>275.21</b>	<b>171.50</b>	<b>231.89</b>	<b>\$214.11</b>	
<b>Per lb total beef</b>	<b>0.33</b>	<b>0.54</b>	<b>0.61</b>	<b>0.38</b>	<b>0.52</b>	<b>\$0.48</b>	
<b>Per lb beef marketed</b>	<b>0.36</b>	<b>0.57</b>	<b>0.65</b>	<b>0.41</b>	<b>0.55</b>	<b>\$0.51</b>	
<b>Per AUM</b>	<b>12.54</b>	<b>20.12</b>	<b>22.93</b>	<b>14.29</b>	<b>19.32</b>	<b>\$17.84</b>	
<b>FIXED COSTS</b>							
Depreciation	190,920	205,453	198,865	187,549	164,055	189,368	
<b>TOTAL COSTS</b>	<b>538,170</b>	<b>671,901</b>	<b>708,009</b>	<b>537,588</b>	<b>581,697</b>	<b>607,473</b>	<b>3,037,365</b>
<b>Per cow</b>	<b>233.28</b>	<b>347.77</b>	<b>382.71</b>	<b>263.39</b>	<b>322.99</b>	<b>\$310.03</b>	
<b>Per lb total beef</b>	<b>0.5184</b>	<b>0.7728</b>	<b>0.8505</b>	<b>0.5853</b>	<b>0.7177</b>	<b>\$0.69</b>	
<b>Per lb beef marketed /1</b>	<b>0.5515</b>	<b>0.8222</b>	<b>0.9047</b>	<b>0.6227</b>	<b>0.7636</b>	<b>\$0.73</b>	
<b>Per AUM</b>	<b>19.44</b>	<b>28.98</b>	<b>31.89</b>	<b>21.95</b>	<b>26.92</b>	<b>\$25.84</b>	
Cow herd	2,307	1,932	1,850	2,041	1,801	1,986	
AUMs	27,684	23,184	22,200	24,492	21,612	23,834	
Calf crop	1,952	1,634	1,565	1,727	1,524	1,680	
Total beef production (lbs)	1,038,150	869,400	832,500	918,450	810,450	893,790	
Per cow	450	450	450	450	450	450	
Beef production marketed	975,861	817,236	782,550	863,343	761,823	840,163	
Per cow	423	423	423	423	423	423	
Per AUM	35	35	35	35	35	35	

/1 Transfer cost of calves to backgrounding.

## Backgrounding Costs & Returns

### J.R. Simplot Company

Owyhee County, Idaho

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
In weight	500	500	500	500	500	500
Cost /1						
\$/cwt	\$55.15	\$82.22	\$90.47	\$62.27	\$76.36	\$73.29
\$/head	\$275.74	\$411.08	\$452.37	\$311.34	\$381.78	\$366.46
Days on feed	149	150	147	144	147	147
Gain per day	2.25	2.25	2.25	2.25	2.25	2.25
Conversion	7.0	7.0	7.0	7.0	7.0	7.00
Cost of gain (\$/cwt)	47.43	47.83	50.88	46.83	50.40	48.67
Cost of gain (\$/head)	159.36	161.67	167.90	151.26	166.32	161.30
Total cost	\$435.11	\$572.75	\$620.28	\$462.60	\$548.10	\$527.77
Out weight	836	838	830	823	830	831
Transfer price /2						
\$/cwt	52.05	68.35	74.73	56.21	66.04	63.47
\$/head	435.11	572.75	620.28	462.60	548.10	527.77
<b>Value added</b>	<b>\$159.36</b>	<b>\$161.67</b>	<b>\$167.90</b>	<b>\$151.26</b>	<b>\$166.32</b>	<b>\$161.30</b>

/1 Transfer cost of cattle from cow-calf operation.

/2 Transfer cost of yearlings to feedlot.

## Feedlot Costs & Returns

### J.R. Simplot Company

Owyhee County, Idaho

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
In weight	836	838	830	823	830	831
Cost /1						
\$/cwt	52.05	68.35	74.73	56.21	66.04	\$63.47
\$/head	\$435.11	\$572.75	\$620.28	\$462.60	\$548.10	\$527.77
Days on feed	112	109	111	115	105	110
Gain per day	3.07	3.12	2.94	3.11	2.89	3.03
Conversion	7.40	7.30	7.30	6.70	7.80	7.30
Cost of gain (\$/cwt)	49.93	50.35	53.56	49.29	53.05	51.24
Cost of gain (\$/head)	172.26	171.19	174.07	176.46	160.74	170.94
Total cost	\$607.36	\$743.94	\$794.35	\$639.06	\$708.84	\$698.71
Out weight	1181	1178	1155	1181	1133	1,166
Breakeven value /2						
\$/cwt	51.43	63.15	68.77	54.11	62.56	60.01
\$/head	607.36	743.94	794.35	639.06	708.84	698.71
<b>Value added</b>	<b>\$172.26</b>	<b>\$171.19</b>	<b>\$174.07</b>	<b>\$176.46</b>	<b>\$160.74</b>	<b>\$170.94</b>

/1 Transfer cost of cattle from backgrounding.

/2 Cost of cattle plus feedlot costs.

## Total Cost Contribution

Cow-calf through Feedlot

**J.R. Simplot Company**

Owyhee County, Idaho

Per calf	564.90	680.63	724.68	591.11	650.05		\$642.27 <=====
Per lb of beef marketed	0.48	0.58	0.63	0.50	0.57		\$0.55 <=====
Per AUM	37.66	45.38	48.31	39.41	43.34		<b>\$42.82 &lt;=====</b>
Brood herd	\$1,303,225	\$1,314,978	\$1,340,661	\$1,206,463	\$1,170,735		\$1,267,212 <=====

Capitalization rate      6.0%

<b>Calculated value of State lease AUMs (64)</b>	<b>Annual</b>		<b>Direct</b>	==>	<b>\$2,740</b>
			<b>County</b>	==>	<b>\$4,111</b>
<b>Future Value of Value-Added Contribution</b>	<b>Life of lease (10 years)</b>		<b>Direct</b>	==>	<b>\$96,120</b>
			<b>County</b>	==>	<b>\$54,180</b>



**Western  
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*Working to protect and restore Western Watersheds and Wildlife*

August 30, 2017

Diane French  
Idaho Department of Lands  
300 N. 6<sup>th</sup> Street  
Suite 103  
Boise, ID 83702

**Comments on behalf of WWP on Idaho state land grazing fees**

Dear Ms. French:

Attached please find the comments of Dr. Tom Power, a PhD economist from Montana with expertise on livestock grazing fee structures, for the State of Idaho's consideration in setting grazing fees for state Trust Land sections.

At Western Watersheds Project, we believe that livestock grazing is not the highest or best use of state lands, and in many cases livestock grazing is not a land use that will bring the highest Return on Asset to the state trust fund and the citizens that it serves. But in cases where the State chooses to lease Trust section for livestock grazing, it should do so under a fair market rate that provides a maximum Return on Asset for the citizens of Idaho, in accord with constitutional requirements.

Per Dr. Power's recommendations, we urge the State to set grazing fees at 84% of private lease rates in order to achieve fair market value and maximum Return on Asset, as outlined in the attached report. While Dr. Power recommends a 10-year phase-in of fee hikes to achieve such an increase to fair market rates, WWP believes that the State's legal obligations constrain the State to implementing fair-market rates immediately, rather than over a 10-year span.

Thank you for your consideration, and please keep us apprised regarding future actions involving State livestock grazing fees.

Respectfully yours,

Erik Molvar

**Comments on the Idaho Department of Lands  
2017 Grazing Rate Methodology Review**

**Submitted by**

**Western Watersheds Project**

**P.O. Box 1770, Hailey, Idaho 83333**

**Prepared for**

**Western Water Sheds Project**

**by**

**Power Consulting Incorporated**

**920 Evans Avenue**

**Missoula, Montana 59801**

**Thomas Michael Power**

**Donovan S. Power**

August 30, 2017

## **About the Authors:**

**Thomas Michael Power** is the Principal Economist in Power Consulting, Inc. and a Research Professor and Professor Emeritus in the Economics Department at the University of Montana where he has been a researcher, teacher, and administrator for almost 50 years including 30 years as Chair of the Economics Department. He received his undergraduate degree in Physics from Lehigh University and his MA and PhD in Economics from Princeton University.

**Donovan S. Power** received his undergraduate degree in Geosciences at the University of Montana and his Master of Science in Geology from the University of Washington. He has been the Principal Scientist at Power Consulting, Inc. for the past ten years.

# Comments on the Idaho Department of Lands 2017 Grazing Rate Methodology Review

## Executive Summary

Since September 2015, the Idaho State Board of Land Commissioners (Land Board) and the Idaho Department of Lands (IDL) have been reviewing the way they set grazing fees for ranchers who lease Idaho State Endowment Trust Lands (Trust Lands) for livestock forage. In late June 2017, IDL released a “Grazing Rate Methodology Review” that listed and briefly described five alternative approaches to annually setting Trust Lands grazing fees. At the same time, IDL announced a 60-day public comment period ending September 1, 2017, to receive comments on those five alternative approaches to setting Trust Lands grazing fees.

These comments are offered in response to that invitation.

The analysis in the main body of these comments support the following conclusions about the alternative approaches to setting Idaho Trust Lands grazing fees that the IDL has laid out for public review and comment.

- In general, none of the alternative ways of calculating Idaho Trust Lands grazing fees that the Land Board has offered for public comment will lead to grazing fees that reflect the fair market value of the forage on those lands or provide the target rate of return on asset value. In that sense, it appears that most of those methods are not literally consistent with the Idaho constitutional mandate that the Trust Lands be managed “...in such a manner as will secure the maximum long term financial return...”
- There is no conceptual or empirical reason that Trust Lands grazing fees cannot be set at fair market value if the Land Board believes, as its criteria for evaluating alternative methods of setting Trust Lands grazing fees suggest, that fair market value or fair market return on assets is the proper target in setting those grazing fees. We **know** how to estimate the fair market value of Trust Lands forage. The University of Idaho Policy Analysis Group has repeatedly done that for the Land Board in order to demonstrate how close or how far away various proposed Trust Lands grazing fees are from the fair market value target. In addition, those fair market values provide an annual estimate of the value of Trust Lands grazing. As the PAG has pointed out: “...this provides a fair approach to setting grazing rates, as it removes potentially arbitrary adjustment factors used in other formulas, and closely indexes the price paid to private lease rates.”<sup>1</sup>
- Under most of the alternative approaches to estimating Trust Lands grazing fees, the historic base value of the Idaho per AUM grazing fee that is then projected forward using indices of various relevant economic factors needs to be regularly re-estimated and then re-indexed to provide estimates for future years. The current base value has not been changed since 1993 nor were the index values reset when it was adopted. As a result, there is little

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<sup>1</sup> Dennis Becker, Policy Analysis Group, University of Idaho, “Alternative #6 Addendum – Grazing Rate Review Analysis, February 26, 2017. p. 5.

reason to trust the current formula and its logic is anything but transparent. Any new formula should be periodically be reset with a current per AUM base grazing fee in contemporary dollars and the indices reset to trend that grazing fee forward.

- The formulae used to estimate the Trust Lands grazing fees should not combine data associated with livestock markets and production with data reflecting private grazing land fees as the current formula does. Doing so creates statistical problems that make the estimated Trust Lands grazing fees inaccurate and misleading. Dependable fair market Trust Lands forage values will not be derived from such approaches.
- In addition, a major simplification of the current Trust Lands grazing fee formula could provide the most defensible Trust Lands grazing fee formula. Private land grazing fees are highly correlated with each other from one year to the next providing a relatively stable index for predicting future private grazing fees. In addition, private grazing lands fees represent valuable market information as to what Idaho livestock forage is worth. Adjusted for differences in owner-provided services, these private grazing land fees can determine a fair market grazing fee for Trust Lands.
- The five criteria by which the Land Board has asked the proposed formulae for determining Trust Lands grazing fees be evaluated are not consistent with each other. For instance, the fifth criterion is that the “formula is fair, predictable and certain for both parties.”<sup>2</sup> Unfortunately agricultural markets are not “fair, predictable and certain.” Instead they are notoriously volatile in ways difficult to predict and impersonal in their impact on ranchers. This puts that criteria in conflict with the second criteria: “The formula is a defensible process driven by market data.”<sup>3</sup> If, for instance the market information that is used are the price of beef and the costs of raising beef, the resulting Trust Lands grazing fees are likely to swing substantially from year to year. This is not as likely to be the case if the Trust Lands grazing fees are tied to Idaho private grazing land fees.
- The University of Idaho Policy Analysis Group has demonstrated that the Montana Model can be applied to Idaho to determine empirically-based fair market grazing fees for Idaho Trust Lands. That formula involves only the Idaho private lands grazing fees and an estimate in the differential value of land-owner-supplied services. That approach estimates a fair market Trust Lands forage rate each year. As a result, a past “base value” does not get out-of-date. This approach also provides relatively steady values for Trust Lands grazing fees from year-to-year. It is also based on easily understood data.
- The IDL’s presentation of the Montana Model in its request of comments deviated significantly from the University of Idaho Policy Analysis Group’s presentation. It is difficult to reconcile the two presentations. The IDL’s version of the impact of the Montana Model should not be used until it is explained, modified if necessary, and re-presented to the public for comment. The University of Idaho Policy Analysis Group’s presentation of the Montana Model *can* be used for the comparative analysis.

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<sup>2</sup> Op. cit. University of Idaho Policy Analysis Group, “Grazing Rate Review Analysis, January 20, 2017, p. 2.

<sup>3</sup> Ibid.

- Recent empirical analysis of private and Trust Lands grazing fees in Idaho indicates that private land grazing fees can be converted to fair market grazing fees for Idaho Trust Lands by reducing the private grazing fees by 12 to 14 percent. This is a much smaller discount for services not provided to grazers than earlier studies suggested was appropriate. Similar analysis in Montana determined that the differences in services provided to ranchers on private compared to trust grazing lands, justified a 22 percent reduction from private grazing fees to obtain fair market forage value for trust lands.
- Other recent empirical analysis in Idaho has surveyed those owning and leasing private grazing lands for livestock production. The analysis of that data allowed the estimation of the determinants of Idaho private lands grazing fees. Those estimated Idaho private grazing fees were not statistically different from the annual estimates provided by the federal National Agricultural Statistics Service (NASS) estimates. That provides some confidence in the reliability of using that federal data on Idaho private grazing fees to set Trust Lands grazing fees. These types of empirical studies of private grazing practices in Idaho can also allow the periodic adjustment of estimated fair market Trust Land grazing fees.
- Projected increases in the sales value of Idaho Trust Lands should not be included in estimates of the return associated with grazing leases on those lands. Ranchers lease the forage on those lands. They do not rent or buy all of the property values associated with those lands.
- Projected increases in the sales value of Idaho Trust Lands also should not be included in calculating the “total return on assets” associated with grazing Trust Lands. There are political and legal limits to the sale of those Trust Lands and there is no imminent policy change that is likely to allow the sale of substantial parts of the Trust Lands. For that reason, the conversion of such theoretical land appreciation values into a cash flow is not a reasonably foreseeable outcome that should be included in state financial statements.
- The Idaho Land Board in early 2017 asked the University of Idaho Policy Analysis Group to analyze an approach to setting Public Lands grazing fees that was used in Montana for its trust lands. The Policy Analysis Group delivered the results of its study of that approach to the IDL in February 2017. Later in the year, the Idaho Land Board decided to include the Montana Model as one of the five alternatives on which the Land Board sought public comment.
  - The Policy Analysis Group analysis of the Montana Model concluded that it could be used to set the fair market value of Trust Lands grazing fees. That would assure that Idaho’s target return on asset value would be achieved. It would also be consistent with the Idaho constitutional mandate that Trust Lands be managed for the “maximum long term financial return.”
  - If the recent estimate that the lower level of services to grazers on Trust Lands reduces the value of Trust Lands leases by 12 to 14 percent is used in the Montana Model, the 2016 Idaho average private grazing fee of \$17.34 per AUM would indicate that the fair market grazing fee for Trust Lands should be \$14.91 per AUM. The actual Trust Land

grazing fee in 2016 was \$8.09 per AUM, only 54 percent of that estimated fair market value. In 2016, the Trust Land grazing would have to almost double to reach the estimated fair market value.

- Because of the size of the gap between current Trust Lands grazing fees and the fair market value of that grazing, it would take an 84 percent increase in the Trust Lands grazing fee to reach the fair market level. For that reason, it may be appropriate to move towards full fair market value over a ten-year period. During the first five years the Trust Lands grazing fees could move to 70 percent of the Idaho private grazing fees. In the following five years, the Trust Lands grazing fees could move to 86 percent of the private grazing fee level, the current fair market value for the Trust Lands grazing. During that ten-year period, the IDL could continue to analyze private grazing fees in Idaho and the differential value of the services provided by the state and private grazing land owners. That would allow the Land Board to check its progress in moving Trust Land grazing fees to reflect the fair market value of Trust Land forage.

# **Comments on the Idaho Department of Lands 2017 Grazing Rate Methodology Review**

## **1. Introduction**

Since September 2015, the Idaho State Board of Land Commissioners (Land Board) and the Idaho Department of Lands (IDL) have been reviewing the way they set grazing fees for ranchers who lease Idaho State Endowment Trust Lands (Trust Lands) for livestock forage. In late June 2017, IDL released a “Grazing Rate Methodology Review” that listed and briefly described five alternative approaches to annually setting Trust Lands grazing fees. At the same time, IDL announced a 60-day public comment period ending September 1, 2017, to receive comments on those five alternative approaches to setting Trust Lands grazing fees.

These comments are offered in response to that invitation.

By way of introduction, I am an economist who has been a Professor in the Economics Department at the University of Montana for almost 50 years. For thirty of those years, I was Chair of the Economics Department. I retired from teaching and university administration ten years ago but remain a Research Professor and Professor Emeritus. I am also the Principal Economist in Power Consulting Incorporated, Missoula, Montana. It is in the latter capacity that I have prepared the following comments on appropriate Idaho Trust Lands grazing fees.

Over the last several decades I have researched and published on issues associated with livestock grazing in the western United States as well as on many other natural resource issues in the Western states. A brief summary of my qualifications and experience is attached at the end of these comments.

I was asked to prepare these comment by the Western Watersheds Project, but the analysis, conclusions, and opinions expressed in these comments are entirely my own.

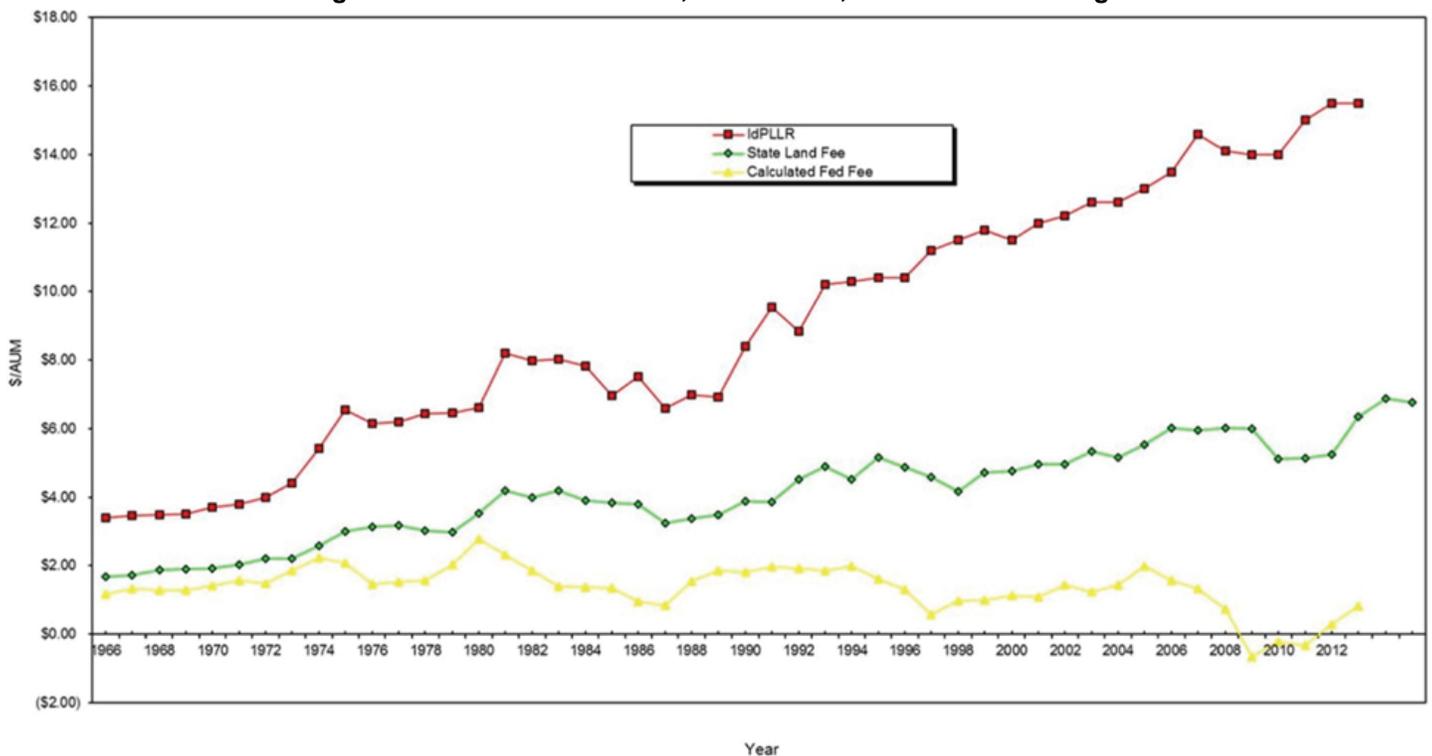
## **2. Idaho Trust Land Grazing Fees Compared to Private Grazing Fees and Those of Other Western States**

Most of the Western states when they were admitted to the Union were given relatively large quantities of federal land to support their schools and other public services. Although some states sold off their federal trust lands and used the proceeds to support government institutions and programs, many Western states, like Idaho, still have substantial state-owned lands held in trust for schools or other state general fund activities. Many of those lands are also rangelands whose primary commercial use is providing forage for the raising of livestock. Those Western states also have to wrestle with how to establish a fair market grazing lease fees private ranch use of these state trust lands.

A comparison of Idaho's Trust Land grazing fees with private Idaho grazing fees and a comparison with those of other states provides some context in which to evaluate Idaho's success in establishing fair market forage values when leasing its grazing Trust Lands to ranchers.

Grazing fees for forage on private lands in Idaho (black squares in Figure 1) have been substantially above the per AUM fees charged by the IDL to graze on Trust Land (green diamonds in Figure 1) since at least 1966. The per AUM gap between the private Idaho grazing fee and the fee charged for forage on Idaho Trust lands has increased significantly over time in dollar terms with the gap in nominal dollars growing from about \$2.15 in 1966 to \$10.25 in 2015. The Idaho Trust Lands grazing fee expressed as a percent of the private AUM lease rate shows that the Trust Land rate declined from about 47 percent of the Idaho private land grazing fee in 1966 to about 40 percent of the private rate 2015.<sup>4</sup> See Figure 1 below.

**Figure 1.**  
**Grazing Lease Fees: Idaho Private, Idaho Trust, and Federal Grazing Land**



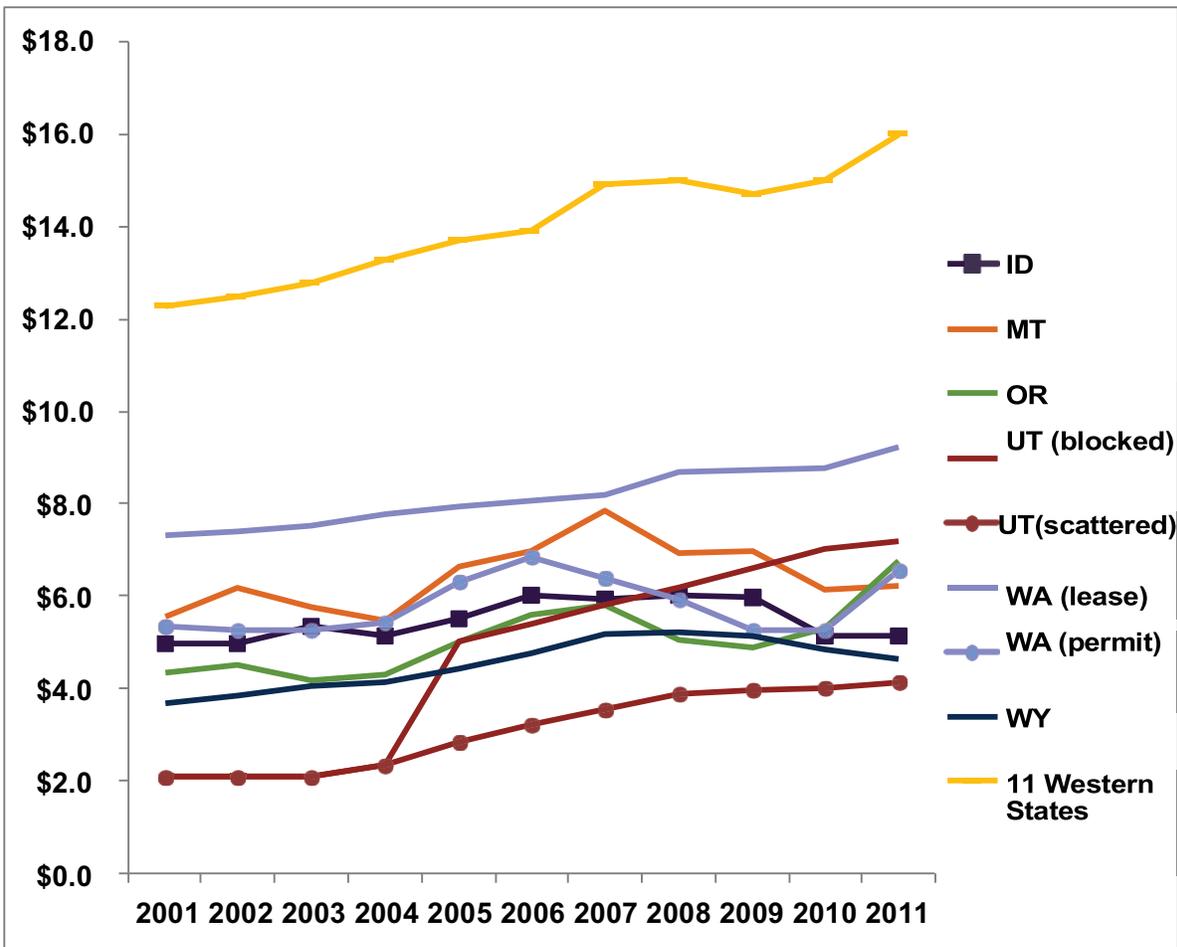
Source: Idaho State Land Grazing Lease Rates: Historical Background, Dr. Neil Rimbey, University of Idaho, Extension Range Economist, 2014, p. 7.

Also shown in Figure 1 is the Federal grazing fee (yellow triangles) that would result from the application of the Federal formula that is similar to that adopted by the Idaho Land Board. What is shown is the grazing fee that would have resulted if certain limits placed on the grazing fee actually adopted were ignored. So, Figure 1 does not show the actual federal grazing fees adopted, just the fee that the formula would have generated. One of those limits is that the

<sup>4</sup> Estimates approximated from the points in the figure.

Federal grazing fee cannot fall below \$1.35 per AUM. That would rule out the *negative* grazing fees shown in Figure 1 for 2008-2012. Another limit is that any increase or decrease cannot exceed 25 percent of the previous year's grazing fee. That limit would smooth out some of the volatility in the Federal formula results shown in Figure 1.<sup>5</sup>

**Figure 2**  
**State Program Grazing Fee Trends, Dollars per AUM, 2001 - 2011**



Source: Idaho Department of Lands Grazing Market Rent Study, August 2012, Figure 4.1, p. 65. The “11 Western States include AZ, CA, CO, ID, MT, NM, NV, OR, UT, WA, and WY. The individual states shown had the lowest grazing fees. Their individual grazing fees are contrasted with the average fees across all 11 Western States.

As will be discussed below, although the grazing fees paid by Idaho ranchers to graze their livestock on privately owned lands provides important, market-based, information on the value of forage in Idaho, one cannot simply assume that Idaho Trust Lands should be leased at rates exactly equal to those private grazing fees. There may be different costs associated with using private grazing lands as opposed to Idaho Trust Lands and there may be differences in the

<sup>5</sup> BLM and Forest Service Announcer 2017 Grazing Fee. <https://www.blm.gov/press-release/blm-and-forest-service-announce-2017-grazing-fee>

quality of forage. If such differences exist, they need to be empirically quantified in order to use private grazing fees to inform decisions as to the fair market value of the forage on Idaho Trust Lands.

The IDL commissioned a study of “trends in the private grazing land lease markets...in Idaho...to aid the Idaho Department of Lands in making decisions on how best to manage the state’s Endowment Trust Lands for its beneficiaries.”<sup>6</sup> In addition to the analysis of Idaho private grazing land leases, that study also compared Idaho’s Trust Land Grazing fees to those of other Western states between 2001 and 2011. That comparison showed that Idaho Trust Lands grazing fees were both among the lowest in the Western states and also showed by far the lowest annual rates of increase.

Figure 2 above shows the level of state trust land grazing fees for Western states over that decade. Idaho’s Trust Lands grazing fees per AUM are shown by the black squares. At the beginning of the 2001-2011 period, Idaho’s Trust Lands grazing fees were above those in Oregon, Wyoming, and Utah (scattered sections). By the end of that decade Idaho’s Trust Lands grazing fees had fallen below Oregon’s and were approaching those of Wyoming and Utah (scattered), the two states with the lowest fees of the states this IDL study used for comparisons.

One of the reasons for this relative decline in Idaho’s Trust Lands grazing fees compared to other Western states was the very slow growth or absolute decline in the Idaho Trust Lands grazing fees. Over the 2001-2011 period, there was almost no growth in the Idaho Trust Lands grazing fee, 0.4 percent per year. For the eleven Western states for which NASS reports the state trust lands grazing fees, the growth rate was 2.7 percent per year, almost seven times higher than the growth in the Idaho Trust land grazing fee. The Idaho Trust Lands grazing fee growth rate was less than one-tenth of the Oregon growth rate, about one-sixth of the Wyoming and Washington lease rates, and about one-twentieth of the growth rate of Utah’s scattered state grazing sections. See Figure 3 below. At least for this particular decade that the IDL study analyzed, Idaho’s Trust Land grazing fees were trailing other states in adjusting for changes in the economic value of Trust Land grazing.

The Idaho Land Board has asked the Policy Analysis Group (PAG) at the University of Idaho to “provide context for assessing financial performance of various methods of establishing grazing fees for Idaho Trust Lands.”<sup>7</sup> The University of Idaho PAG has carried out several analyses of different methods that could be used to establish Idaho Trust Lands grazing fees.<sup>8</sup> All of those analyses found that Trust Land grazing fees set by the existing formula and most of the alternative formulae that were considered did not lead to returns on Idaho Trust Lands grazing that met the competitive return that was set as the appropriate target. Put slightly differently, the Idaho private lands grazing fees can be adjusted to reflect fair market forage values by taking

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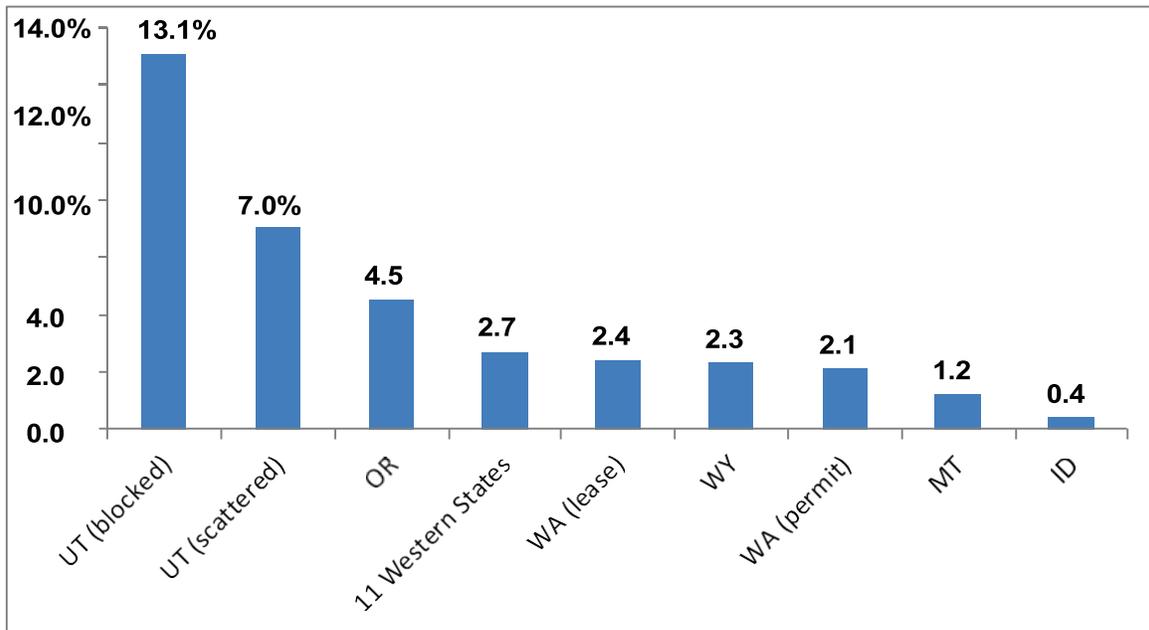
<sup>6</sup> Resource Dimensions, August 2012, “Idaho Department of Lands Grazing Market Rent Study.”

<sup>7</sup> Becker, Dennis R. and Phillip S. Cook, March 2016, “Financial Performance of Idaho’s Endowment Rangelands, Issue Brief No. 17, Policy Analysis Group, University of Idaho, p. 2.

<sup>8</sup> In addition to the analysis cited in the footnote above, the PAG also provided the Land Board with a “Grazing Rate Review Analysis” on January 20, 2017, and an April 25, 2017 “Grazing Rate Review-Analysis of Alternatives.” The PAG provided an Addendum to its January 20, 2017 analysis on February 26, 2017, which provided an analysis of the Montana method of setting trust lands grazing fees.

into account the additional services private grazing land owners provide. When those estimates of the fair market forage value of Idaho Trust Lands are compared to the suggested grazing fees for Idaho Trust Lands, none of the formulae except for one come close to that fair market forage value of Trust Lands.

**Figure 3.**  
**Average Annual % Increase in State Trust Lands Grazing Fees, 2001 - 2011**



Source: Idaho Department of Lanes Grazing Market Rent Study, August 2012, Figure 4.2.

As the University of Idaho PAG stated in its March 2016 “Financial Performance of Idaho’s Endowment Rangelands” said:

“...viewed strictly from a financial asset perspective, returns to endowment beneficiaries are below benchmark rates of return obtained by other [state of Idaho asset] investment classes. This is in part because it is not possible to attain targeted rates of return from grazing net income...when fees are set below the fair market value...From this perspective a higher grazing fee would be warranted.” (p. 14)

The January 2017 “Grazing Rate Review Analysis” found that for the four alternative approaches to setting grazing fees that were actually modeled, three of the four (Status Quo, Revised Status Quo, and Wyoming Model) failed to meet the fair market [“target”] rate of return for the years analyzed. The Calf-Crop Share formula met the “benchmark rate of return for some years and discount rates.” (Table 3, p. 15, emphasis added)

The February 2017 Addendum to the January 2017 “Grazing Rate Review Analysis” compared four alternative formulae for setting the Idaho Trust Lands grazing fee to an estimate of the fair

market forage value on Trust Lands. That fair market forage rate was calculated by adjusting the Idaho private land grazing fees downward to reflect the additional value of services provided by private owners of grazing lands. The University of Idaho PAG used a 30 percent reduction from the private grazing fee to obtain an estimate of the fair market value of Trust Lands grazing. For the years 2011 and 2012, the estimated grazing fees from the various alternative formulae were only about half the estimated fair market forage value. For the years 2013 through 2016, the various alternative formulae generated grazing fees that were 60 to 70 percent of the fair market value. Only Alternative #4, the Calf Crop Share formulae, for the years 2014 and 2015 actually produced grazing fees equal to the fair market rate.<sup>9</sup>

As will be discussed below, the Montana Model as applied in this February 2017 University of Idaho PAG modeling systematically specified Idaho Trust Land grazing fees that matched the estimated fair market value of the forage on Idaho Trust Lands. That was the result because that formula effectively set Trust Lands grazing fees on the basis of the Idaho private grazing fees reduced to reflect the higher level of services provided to private land grazers. This PAG modeling based on the Montana Model, however, was replaced in the IDL “Grazing Rate Methodology Review” that presented the alternative methods for setting the Idaho Trust Lands Grazing fees on which the Land Board was seeking public comment. The reason for modifying the University of Idaho PAG proposed Montana Model was not discussed in the Methodology Review.

#### *Conclusions on the Appropriateness of Past and Current Trust Land Grazing Fees*

In general, none of the alternative ways of calculating Idaho Trust Lands grazing fees that the Land Board has offered for public comment will lead to grazing fees that reflect the fair market value of the forage on those lands or provide the target rate of return on asset value. In that sense, it appears that most of those methods are not literally consistent with the Idaho constitutional mandate that the Trust Lands be managed “...in such a manner as will secure the maximum long term financial return...” (Section 8 of the Idaho Constitution)

### **3. An Overview of the Issues Raised by the IDL in Its Request for Comments on Alternatives Ways of Setting and Adjusting Idaho Trust Land Grazing Fees**

In the IDL’s *Grazing Program Business Plan* (May 2015), the IDL committed itself to “achieve market rates for grazing leases that align with fair market forage values.” “That objective aligns with the [Idaho] constitutional mission to maximize revenues for state endowment trust land beneficiaries and justifies a periodic review of the Grazing Program to ensure that market rates are being realized.”<sup>10</sup>

Note the emphasis on “market rates” and “fair market forage values” as the appropriate reference point is setting grazing fees for Idaho Trust grazing lands. Unfortunately, most of the proposed approaches for determining Trust Land grazing fees that have been put up for comment do not meet this criterion.

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<sup>9</sup> Becker, Dennis, Policy Analysis Group, University of Idaho, “Alternative #6 Addendum-Grazing Rate Review Analysis,” Tables 1 and 2, pp. 2-4.

<sup>10</sup> IDL, *Grazing Rate Methodology Review*, request for Comments. P. 1. Undated (ca. late June 2017).

This is not because we do not know how to calculate the fair market value of Trust Lands grazing. In all of the studies that IDL had the Policy Analysis Group at the University of Idaho carry out of alternative ways to annually estimate appropriate Trust Lands grazing fees, the PAG evaluated the proposed Trust Lands grazing fee against fair market value targets to determine how close the proposed Trust Lands grazing fee was to that fair market target expressed either in a percentage return on asset value or as a direct comparison of the proposed grazing rate to the fair market grazing fee target.

The fair market grazing fee for Trust Lands that has been used by the University of Idaho PAG to evaluate the adequacy of the actual Trust Lands grazing fees has been calculated as the average private grazing fee in Idaho multiplied by an estimate of how much less valuable Trust Land grazing is than private land grazing in Idaho due to the fact that Idaho Trust Lands provide fewer valuable services to grazers, such as fencing, water supply, livestock monitoring, etc. The size of that multiplier to adjust for lower levels of services provided with Trust Lands grazing has varied considerably, ranging from 88 percent to 56 percent. We will discuss the empirical basis of the different values of that multiplier below.

#### *A. Base Year Grazing Values*

Instead of proposing Trust Lands grazing fee formulae that are directly tied to the fair market value of that grazing, a variety of indirect approaches have been taken to estimating appropriate Trust Lands grazing fees. Three of the proposed five approaches on which the Land Board has requested public comment begin with a base year grazing value, either current or a past year and then use an index built around variables that are expected to change the forage value associated with Trust Lands. Those three approaches that index base year grazing values have the words “status quo” in their names. The existing formula for the Trust Lands grazing fee (Alternative #1: Status Quo) is built around a rough estimate of the value of Trust Lands grazing in 1993, about five dollars per AUM. That quarter-century-old informal estimate continues to be used

The Alternative #2: Revised Status Quo (\$1.70) proposes to continue to use that base value from 1993 but to change the index used to adjust it annually. The Alternative #3: Revised Status Quo (\$2.00) proposes to increase the base value by about 18 percent to better represent 2016 values, and then annually adjust the Trust Lands grazing fee based on the same simplified index used in Alternative #2. The new base value of the Trust Land grazing fee for Alternative #3 was “indexed at approximately 56% of 2016 private lease rate.”<sup>11</sup> That would produce a 2016 Trust Lands grazing fee of \$9.71.<sup>12</sup> The source of the 0.56 multiplier applied to Idaho private grazing fees to produce that base Trust Lands grazing fee was not provided or explained.

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<sup>11</sup> Op. cit. IDL “Grazing Rate Methodology Review,” p. 3.

<sup>12</sup>  $\$17.34 \times 0.56 = \$9.71$ .

*B. The Type of Economic Data That Would Be Used to Annually Adjust an Idaho Trust Land Grazing Fee*

The University of Idaho Policy Analysis Group (PAG) that has been working with the Idaho Land Board and the Grazing Rate Review Subcommittee has provided criteria by which to evaluate alternative approaches to estimating grazing fees for Trust Land forage. One of those criteria is that the formula used be driven by market data, specifically “published and established market data for prices, costs, and revenues associated with livestock grazing in Idaho.”<sup>13</sup>

There are two related, but different, types of market data that have been used to estimate market-based grazing fees for forage on public lands. One is data on the costs and revenues associated with raising livestock on grazing land. The assumption is that the value of grazing land is determined by its ability to support livestock production and that livestock prices and measures of the costs associated with that production process will determine the demand for and value of the forage on grazing land. Livestock producers favored the use of this type of market data to set Trust Land grazing fees, arguing that it introduces information on the livestock producers’ *ability to pay*.

The other type of market data that has been used to estimate the value of livestock grazing on public land is the price of such livestock grazing on private lands in Idaho that are similar in character to the Trust Lands that are leased for grazing. The grazing fees that the private owners of grazing land charge to ranchers to graze their livestock on that private land could provide useful information on what ranchers seeking to graze their livestock on Idaho Trust Lands are, in fact, willing to pay. This information focuses on what livestock producers were *willing to pay* as opposed to their *ability to pay*.

Three of the approaches to setting the Trust Lands grazing fees on which the Land Board is seeking public comment specify the use of information associated with the value of the meat produced by livestock operations and/or the cost of the inputs necessary to produce that meat.

The formula used by Idaho to set Trust Land grazing fees since 1993, labeled Alternative #1: Status Quo, has used *both* of these different types of market data: private land grazing fees and the market price of beef, and a beef production cost index. This is the only alternative that includes both measures of livestock production value/costs and measures of private grazing fees.

Alternative #4: Calf Crop Share makes use of only beef prices and costs of production. The value of a 550-pound steer adjusted for various characteristics of the livestock operation establishes the value per animal produced. University of Idaho cost modeling of cattle operations is used to determine the share of the costs that are forage- or pasture-related. That share applied to the value produced establishes the value associated with the forage and, therefore, the appropriate Trust Land grazing fee.

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<sup>13</sup> “Grazing Rate Review Analysis, January 20, 2017, University of Idaho, College of Natural Resources, Policy Analysis Group, Dennis Becker, p. 2.

Alternative #5: Montana Model nominally also includes the price of beef along with grazing fees associated with private Idaho grazing lands. However, in actual use it does not appear that the price of beef actually plays a role in determining the Trust Lands grazing fees the Montana Model generates. Private grazing fees in Idaho are the primary data determining grazing fees under this alternative. This will be discussed below.

#### *Conclusions on the Structure of the Formulae Used to Estimate Fair Market Grazing Fees of Idaho Trust Lands*

The historic base value of the per AUM grazing fee that is then projected forward using indices of various relevant economic factors needs to be regularly re-estimated and then re-indexed to provide estimates for future years. The current base value has not been changed since 1993 nor was the index values reset when it was adopted. As a result, there is little reason to trust the formula and its logic is anything but transparent. Any new formula should be periodically reset with a current base per AUM base grazing fee in contemporary dollars and the indices determining future values should be reset so that the formula is more easily understood by the public.

#### **4. Logical and Statistical Problems with Combining Livestock Market Prices and Costs as Well as Data on Private Lands Grazing Fee**

It is clear that the profitability of livestock production is likely to be related to the grazing fees that livestock producers are willing to pay for forage for their animals. Higher beef prices increase the demand for forage and the price beef producers are willing to pay for that forage. On the other hand, higher costs in the production of beef are likely to have the opposite impact on grazing fees. It is not surprising, therefore, that in the development of the federal grazing fees formula, on which Idaho's current Trust Land leasing fee formula is based, livestock interests wanted to use *only* livestock market prices and costs to determine the grazing fees. The land managers, the U.S. Forest Service and Bureau of Land Management, on the other hand, wanted to *only* include market data on private grazing fees. The "compromise" was to include both.<sup>14</sup> That was a serious conceptual mistake.

Since the private grazing fees are influenced by the profitability of livestock production, putting both of these types of data into the formula to estimate what Trust Lands grazing fees should be added statistical confusion to the formula. The data sets being used to determine public land grazing fees were correlated with each other and different data sets effectively measuring the same thing were included in the formula.

This was recognized at the time that the federal grazing fee formula was adopted and it was recognized by the University of Idaho PAG that assisted the Idaho State Board of Land Commissioners in the development of the five alternative approaches to setting Trust Land grazing fees. That is why there are two Alternatives, #2 and #3 labeled "Revised Status Quo."

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<sup>14</sup> Torell, L. Allen et al. 2003. An evaluation of the federal grazing fee formula. *J. Range Management* 56 (November): 577-584. Table 1.

As the University of Idaho PAG explained in its January 2017 Grazing Rate Review Analysis: “This alternative revises the current Status Quo formula to correct statistical concerns. The first is that key indices (Prices Paid Index and Forage Value Index) are highly correlated and may artificially inflate statistical predictability.”<sup>15</sup> Dr. Neil Rimbey, Extension Range Economist at the University of Idaho, in a historical review of federal and Idaho grazing fee policies pointed out that: “The existing [Idaho Trust Land grazing] fee system is not perfect as the gap between private lease rates and IDL rates continues to widen. This is primarily due to the large negative impact of the livestock Prices Paid Index that is included in the formula.”<sup>16</sup> As a result of these statistical problems with the current Idaho Trust Lands grazing fee formula, Dr. Rimbey recommended dropping all of the variables except for the previous year’s Idaho (private lands) forage value index. That is the basis for the Revised Status Quo Alternatives #2 and #3.

### *Conclusions on the Data Sets That Should Be Used to Estimate Trust Land Grazing Fees*

One conclusion from this discussion is that data associated with livestock markets and production should not be combined with data reflecting private grazing land fees. Doing so creates statistical problems that make the estimated Trust Lands grazing fees inaccurate and misleading. Dependable fair market Trust Lands forage values will not be derived.

In addition, a major simplification of the current Trust Lands grazing fee formula could provide the most defensible Trust Lands grazing fee formula. Private land grazing fees are highly correlated with each other one year to the next providing a relatively stable index for predicting future private grazing fees. In addition, private grazing lands fees represent valuable market information as to what Idaho livestock forage is worth. Adjusted for differences in owner-provided services, these private grazing land fees can determine a fair market grazing fee for Trust Lands.

The fifth criteria by which the Land Board asked that proposed formulae for determining Trust Lands grazing fees be evaluated is that the “formula is fair, predictable and certain for both parties.”<sup>17</sup> Unfortunately agricultural markets are not “fair, predictable and certain.” Instead they are notoriously volatile in ways difficult to predict. This puts this fifth criteria in conflict with the second criteria: “The formula is a defensible process driven by market data.”<sup>18</sup> If that market data is the price of beef and costs of raising beef, the resulting Trust Lands grazing fees are likely to swing substantially from year to year. This is not as likely to be the case if the Trust Lands grazing fees are tied to private grazing land fees.

## **5. An Evaluation of Alternative #5: The Montana Model**

Alternative #5, the Montana Model, on its face appears to violate the conclusion above to not mix market agricultural values and market grazing fees in a formula to determine Trust Lands

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<sup>15</sup> Memo to Idaho State Board of Land Commissioners, Grazing Rate Review Subcommittee, from Dennis Becker, Policy Analysis Group, University of Idaho, dated January 20, 2017, p. 5.

<sup>16</sup> Idaho State Land Grazing Lease Rates: Historical Background, undated, ca. 2015, p. 3.

<sup>17</sup> Op. cit. University of Idaho Policy Analysis Group, “Grazing Rate Review Analysis, January 20, 2017, p.

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<sup>18</sup> Ibid.

grazing fee. This is so because the Montana Model is nominally built around the market price of beef. Under that formula, the Idaho Land Board would develop a multiplier based on the Idaho private grazing lands lease rate that would be applied to the market price of beef to obtain the Trust Lands lease rate.

At the request of the Idaho Land Board, the University of Idaho PAG developed a formula for Idaho Trust Lands grazing fees based on the approach used in Montana.<sup>19</sup> The “multiplier” that would be applied to the market price of beef would be:<sup>20</sup>

$$\frac{0.70 \times \text{ID Private Land Grazing Lease Rate (2016)}}{\text{Market Beef Cattle Price}}$$

The 0.70 is a 30 percent discount applied to the private land grazing lease rate to adjust for the reduced services the Idaho Trust Lands provide to ranches grazing their livestock compared to private land owners as discussed above. Note that if this ratio is multiplied times the market beef cattle price, the beef cattle prices will cancel out and simply leave a formula involving 70% of the ID Private Land Least Rate:  $0.70 \times \$17.34 = \$12.15$  per AUM.

In this formula, the market beef cattle price has no impact on the calculated Trust Lands fair market forage value. Only the private land grazing lease rate level and the percentage discount applied to the private lease rate impact the calculation. The University of Idaho PAG recognized this and noted that the Trust Lands grazing fee that results from this approach is an estimate of the fair market value or benchmark grazing rate that yields the target rate of return on the land expectation value of the Idaho Trust Lands. That is, the Trust Lands grazing fee produced by this approach is simply an estimate of the fair market value of the forage on Trust Land based on the private grazing land lease rate: The private grazing fee multiplied times the appropriate discount for reduce services provided to grazers. As discussed above, this is the only approach among the five that directly seeks to estimate the fair market value of Trust Lands grazing rather than indirectly estimating a value that might, more or less, reflect fair market value.

Because of this design, the University of Idaho PAG pointed out that: “Of the six alternatives analyzed, the Montana Model yielded the highest ROA (return on assets).” Table 2 of that “addendum” showed that the Montana Model had a return on asset value significantly above the other alternative approaches to setting Trust Lands grazing rates. The return on assets was exactly equal to the competitive target return being sought. This is the result because the price of beef does not affect the estimated Trust Lands grazing fee in this formula. Only the adjusted private lands grazing fees matter.

The “addendum” report to the Land Board developing the Montana Model also discussed the strengths and weaknesses of this approach to setting Trust Lands grazing fees. Among the

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<sup>19</sup> February 26, 2017, Memo from Dennis Becker, Policy Analysis Group, University of Idaho, to Idaho State Board of Land Commissioners, Re: Alternative #6 Addendum—Grazing Rate Review Analysis. This was designed as an addendum to the January 20, 2017, analysis of five grazing rate alternatives that the Policy Analysis Group had provided to the Idaho Land Board. The “Alternative 6” in the title became “Alternative 5” in the “Grazing Rate Methodology Review” prepared by the IDL and offered for public comment in July 2017.

<sup>20</sup> Ibid. p. 1.

weaknesses are listed: “[grazing] rate corresponds to livestock prices, which fluctuate greatly” and “potential for wide price swings.” Among the strengths are listed: “highly responsive to market data” and “inputs track closely with livestock markets” and “rate corresponds closely to livestock prices and lease rates.” These statements are expressions of concern about any grazing fee formula tied to the price of beef and/or the costs of raising beef as discussed above. But for the Montana Model as presented by the University of Idaho PAG, this is not a relevant concern because the concern about the volatility of grazing fees under this approach incorrectly assumes that the Montana Model would track the market price of beef, which, as pointed out above, is not the case.

One can test the assertion that the Trust Lands grazing fees resulting from the Montana Model will be more volatile by calculating the standard deviation of the projected Trust Lands grazing fees between 2011 and 2016 that result from each of the six alternatives that were evaluated in the “addendum” report on the Montana Model. In fact, the variation in the grazing fees projected by each alternative between 2011 and 2016 was by far the *lowest* for the Montana Model. The standard deviation of the Montana Model grazing fees for this time period was only half the standard deviation of the grazing fees of the other five alternatives. That is, the Montana Model as presented does not produce widely fluctuating estimates of Trust Lands grazing fees. It produces the most stable grazing fees.

The above discussion of the Montana Model is based on February 26, 2007, addendum” study prepared by the University of Idaho PAG for the Land Board. In the IDL “Grazing Rate Methodology Review” review that summarized the five Trust Lands grazing fee approaches on which the public was asked to comment, the Montana Model was presented in a quite different manner. Instead of discounting the Idaho private land lease rates by 30 percent, the IDL version of the Montana Model indicated that it discounted the private lease rates by 44 percent when calculating the market value of Trust Land leases. No explanation or justification of this discount factor was provided. We discuss the appropriate discount for differential services provided by grazing land owners below.

The table presented in the IDL “Grazing Rate Methodology Review” that presents the Trust Lands grazing fees that would result from each of the five alternative approaches does not match the similar table in the February Addendum report. In particular the results for the Montana Model are not similar for the years both tables cover. This is partly understandable if the IDL shifted from a 30 percent discount to a 44 percent discount for differences in owner-supplied services. But the Calf-Crop Share results are also different with the 2013-2018 results in the Grazing Rate Methodology Review matching the 2011-2016 results in the February Addendum report. This may be the result of one of the tables not reflecting the two-year lag in the application of the results of the formula to a particular year. But the reported Trust Lands grazing fees for Alternatives 1 and 2 in the Grazing Rate Methodology Review table does match the Addendum Table 1 (Alternatives #1 and #5). This difference in formulae and results, without any explanation, between the analysis of the University of Idaho PAG and the analysis of the IDL is confusing and makes it difficult for the public to evaluate the results of the analysis of the alternative approaches to determining a fair market value for Trust Lands grazing fees.

What the IDL appears to have done with the Montana Model is to consciously reduce the Trust Lands grazing fees that result from the Montana Model. In the Addendum analysis, the Montana

Model generates \$10-\$12 per AUM lease rates. Only the Calf-crop share alternative comes close to \$12 for two years under the other alternatives. Starting with a much larger discount from the private lands lease rates to account for differences in owner-supplied services and then moving towards a discount that is empirically justified *may* be a way of phasing the Montana Model in, but permanently adopting a 44 percent discount from private leases rates does not appear defensible based on the empirical evidence, especially in Idaho, that is currently available.

### *Conclusions on the Use of the Montana Model to Determine Fair Market Trust Lands Grazing Fee*

The University of Idaho PAG has demonstrated that the Montana Model can be applied to Idaho to determine empirically-based fair market grazing fees for Idaho Trust Lands. That formula involves only the Idaho private lands grazing fees and an estimate in the differential value of land-owner-supplied services. This approach estimates a fair market Trust Lands forage rate each year. As a result, a “base value” does not get out-of-date. This approach also provides relatively steady values for Trust Lands grazing fees from year-to-year. It is also based on easily understood data.

The IDL’s presentation of the Montana Model deviated significantly from the University of Idaho PAG presentation. It is difficult to reconcile the two presentations. The IDL’s version of the impact of the Montana Model should not be used until it is explained, modified if necessary, and represented to the public for comment. The PAG presentation *can* be used for the comparative analysis.

## **6. Discounting Private Grazing Land Lease Rates for Differences in Owner-Provided Services to Estimate Fair Market Trust Land Grazing Fees**

As many economists have noted for decades, there *is* market information on the value of livestock forage on Western grazing lands. Significant amounts of private land are leased out to livestock producers. The federal government, USDA-National Agricultural Statistics Service (NASS), has collected data on those private land grazing lease rates for over half a century. Those private grazing land lease rates were used by the federal government to form the Forage Value Index (FVI). That FVI still is used, along with other variables, in both the Federal lands and the Idaho Trust Lands grazing fee formulae to annually adjust an estimated base grazing fee to appropriate levels over time. However, because it is combined with other data with which it was highly correlated, the information on grazing fees for private forage lands could not play a useful role in establishing reasonable Trust Lands grazing fees.

One criticism of the use of grazing fee information from private grazing land leases has been that the owners of private grazing land often provide valuable services to livestock producers who lease their land: fencing, water supply, stock monitoring, etc. The IDL does not provide the same services to the ranchers who lease Trust Lands. For that reason, the value of Trust Land grazing might be expected to be lower than the grazing value of private lands.

Since the 1970s there has been ongoing empirical analysis of just how to quantify the value of the difference in services provided to ranchers grazing on private lands as opposed to those

grazing on federal or various state-owned grazing lands. One of the more recent, 2014, studies of the impact of the additional services provided to those leasing private grazing lands in Idaho found that the absence of such services reduced the lease rate by 12 to 14 percent depending on the location within Idaho.<sup>21</sup> That would suggest a 12 to 14 percent discount or a 0.86 to 0.88 multiplier applied to Idaho private grazing fees to obtain an estimate of the fair market value of Trust Lands grazing fees.

A 2011 study of Montana state land grazing fees sought to quantify the difference between state grazing lease values and private land grazing values by looking at the grazing fees on state lands when there was competition among ranchers for those leases. These competitive lease values on state lands were then compared to the average private land grazing fees. This allowed a comparison of two competitive market values: one for state lands without the level of private services and another for private lands with those additional services included. That study concluded that the additional services provided by private grazing land owners made up 22 percent of the private grazing fee, indicating a 0.78 multiplier applied to the private land grazing fee to obtain the fair market grazing fee for Montana trust lands.<sup>22</sup> If the earlier modeling carried out in 1992 of Montana grazing fees was applied to 2010 state leases, the appropriate multiplier of the Montana private grazing fees to make them market values for leasing state lands was estimated to be 68 percent. This older result is similar to other estimates made in the late 1980s and early 1990s where a multiplier of about 70 percent emerged as a consensus value in that time period.<sup>23</sup>

#### *The Quality of the USDA State Data on Private Lease Rates*

The USDA NASS data on private grazing lease rates is the only consistent reporting of private grazing lease rates available at the state level over a lengthy period. The reliability of that data has been criticized by researchers for two reasons. First, this survey data was intended to provide information for grazing fees at the national level. As a result, the annual sample size within a particular state is quite small, undermining the reliability of the estimated annual data values. Second, this survey does not ask respondents to consider a particular transaction in which they personally have engaged and report that value. Instead people are asked to recall or speculated on lease rates in their area, leading to reporting that might appropriately be labeled as speculation or hearsay.<sup>24</sup>

Researchers have been aware of these problems and they have estimated the determinants of private lands grazing fees based on their own independent surveys of ranchers leasing private

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<sup>21</sup> Neil Rimbey et al., "Idaho Private Rangeland Grazing-Lease Arrangements, University of Idaho, College of Agricultural and Life Sciences, Research Bulletin 185, August 2014, p. 23 and Table 15. Also see Resource Dimensions, "Idaho Department of Lands Grazing Market Rent Study, August 2012, page ES-4 and p. 108, a report done for the Idaho Department of Lands.

<sup>22</sup> Bioeconomics Incorporated, Montana Trust Land: Grazing Lease Rate Valuation Analysis, April 26, 2011. P.12.

<sup>23</sup> See Torell, LS. et al.1998. *Economic Considerations for Setting Grazing Fees on New Mexico State Trust Lands*, Special Report 81, New Mexico State University Agricultural Experiment Station. Also Duffield, J. and B. Anderson. 1993. *Economic Analysis of the Values of Surface Uses of State Lands*, Montana State Lands, Helena, Montana.

<sup>24</sup> Resource Dimensions, "Idaho Department of Lands Grazing Market Rent Study, a report done for the Idaho Department of Lands, August 2012, page 75.

grazing land. Their statistical modeling seeks to include all of the types of data that are likely to influence those private grazing fees. These “hedonic models,” among other things, can estimate the impact of the various services provided by land owners to livestock grazers and provide an estimated market value of a grazing lease that does not provide significant services to ranchers who lease the land. These independent surveys and statistical analyses provides a check on conclusions reached on the basis of USDA NASS data. For Idaho, those analyses have confirmed that the NASS data leads to estimates of average grazing values on private land that are statistically similar to those indicated by NASS data.<sup>25</sup> That provides some confidence that the USDA NASS is reliable enough to support the estimation of fair market values for Trust Lands grazing fees. Periodic surveys of Idaho private land grazers independent of NASS can confirm or challenge the use of that NASS data in the future as Trust Lands grazing fees are reevaluated periodically.

*Conclusion on Using USDA NASS Data on Private Lease Rates in Idaho to Estimate Fair Market Value of Trust Land Grazing*

Recent empirical analyses of private and state trust land grazing fees in Idaho and Montana indicate that private land grazing fees can be converted to fair market grazing fees for Idaho State Trust Land by reducing the private grazing fees by 10 to 20 percent. This is a smaller discount for services not provided to grazers than earlier studies suggested was appropriate.

Recent empirical analysis in Idaho has also surveyed those owning and leasing private grazing lands for livestock production. The analysis of that data allowed the estimation of the determinants of Idaho private lands grazing fees. Those estimated Idaho private grazing fees were not statistically difference from the annual estimates provided by the federal NASS estimates. That provides some confidence in the reliability of using that federal data to set Trust Lands grazing fees.

These types of empirical studies of private grazing practices in Idaho can also allow the periodic adjustment of estimated fair market Trust Land grazing fees.

## **7. Estimating the Financial Returns on Trust Land Asset Value**

The Idaho Constitution requires that in the state’s management of Trust Lands, it must “maximize long term financial return to trust beneficiaries through revenues generated from state endowment trust lands...” (Article 9, Section) That financial language encourages comparing alternative ways of setting Trust Lands grazing fees exclusively in financial terms: What was the return on state ownership and management of those Trust Lands? In various documents prepared to inform the Land Board and IDL, experts have compared the various alternative ways of setting the Trust Lands grazing fee in terms of the “return on asset value.” This, it is suggested, will allow the management of those Trust Lands to be compared to the management of other state assets such as timber lands and the management of private assets

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<sup>25</sup> Op. cit. Neil Rimbey, et al. 2016, p.24.

by firms and individuals to see how well the State of Idaho is doing with the assets entrusted to it.<sup>26</sup>

Because state grazing lands are rarely sold on the market, it is difficult to establish what the asset value of that land is from market sales. The alternative way of establishing the value of that land is to capitalize the stream of revenue that would come to the state if the land was leased at a fair market value, i.e. divide the annual net revenue from grazing fees by the target rate of return the Land Board believes the assets under its care should be generating.

An alternative, and, arguably, simpler way of proceeding may be to first specify how the AUM fair market value of the forage on those Trust Lands is going to be calculated and then proceed to calculate the per AUM return actually being realized, i.e. the actual AUM grazing fee that is being suggested by one approach or the other. The ratio of the proposed Trust Lands grazing fee to the calculated AUM fair market value tells us how close the proposed grazing fee came to the AUM fair market value that is assumed to be the constitutional target.<sup>27</sup>

That ratio of the proposed AUM grazing fee to the AUM fair market value can be used to compare alternative formulae for calculating an appropriate grazing fee. Alternatively, that ratio can be multiplied times the target rate of return and the different alternatives can be stated in terms of their different return on asset value. E.g. if the target return on assets is 4 percent and a particular formula for establishing a Trust Lands grazing fee is only 40 percent of the fair market grazing fee value, then the return on asset value for that grazing fee is 0.4 times 4 percent or 1.6 percent. The same financial information is conveyed by either method. Both tell us that the Trust Lands grazing is returning only 40 percent of a fair market return. The ease of citizens understanding of the results, however, may differ depending on which presentation of the results is chosen.<sup>28</sup>

*Including the Appreciation of State Land Values in the Calculated Return on State Land Management*

A 2016 University of Idaho PAG Issue Brief on the “Financial Performance of Idaho’s Endowment Rangelands” goes beyond the focus on Trust Lands grazing fees and includes in the overall return on Trust Lands asset value an estimated increase in value of the Trust Lands. In the PAG analysis adding this estimated appreciation in the value those trust lands to the net revenues from the grazing fees boosts the overall return from 1.7 percent per year when only

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<sup>26</sup> See, for instance, Table 2 in the January 20, 2017 “Grazing Rate Review Analysis,” prepared for the Land Board by the University of Idaho Policy Analysis Group. Memo from Dennis Becker to Idaho State Board of Land Commissioners.

<sup>27</sup> This is true only if there are no costs associated with operating either private land owners or Trust Lands grazing lease programs. If there are leasing program costs, then it is the ratio of the net incomes that is important. I.e. the Trust Lands grazing fee per AUM less the administrative costs per AUM compared to the fair market forage value per AUM less the administrative costs per AUM.

<sup>28</sup> Again, if there are administrative costs, which there almost certainly are, it is the ratio of the net revenues per AUM that convey how close the Trust Lands grazing fee is to the target per AUM value or target return on asset.

grazing fees are considered to 3.8 percent with the land appreciation included, increasing the apparent return on those lands by 124 percent.<sup>29</sup>

Before discussing the appropriateness of boosting the calculated return on Trust Lands in this manner, it is important to recognize that this proposed adjustment in calculating the total return on Trust Lands assets is irrelevant to the calculation of the fair market value of Trust Land forage and, therefore, an appropriate Trust Lands grazing fee. This is so because ranchers are only leasing the forage on the Idaho Trust Lands. They are not purchasing full use of all asset values that may be associated with the Trust Lands. They are not renting the land, they are leasing the grazing rights. That grazing use is what the grazing fee is intended to cover: the value of the livestock forage found on those Trust Lands. The appropriate market-based fee for that is the fair market value of that forage and nothing else. That is how the January 20, 2016 “Grazing Rate Review Analysis” and the IDL’s “Grazing Rate Methodology Review” approached the evaluation of the alternative approaches to calculating grazing fees for the Trust Lands. Only grazing fees and the costs of managing those grazing lands were included. As the January 2017 “Grazing Rate Review Analysis” put it: “Thus, the ROA [return on asset] reflects net income from grazing leases only (forage value) independent of land appreciation (bare land value), because forage is what ranchers lease from the state.” (p. 7)

However, it is also unclear that an estimate of the appreciation of the Trust Lands’ market value should be included in calculating the total financial return on those Trust Lands. What is being measured by the appreciation in the sales value of the Trust Lands is the expected growth in the grazing fees on private lands. Those private land grazing fees are taken to be a reliable index of the sales value of private grazing lands. On the assumption that Idaho Trust Lands are similar to private grazing lands (except for the higher level of services provided by private grazing land owners), the assumption is made that the sales value of the Trust Lands will increase in a similar manner. But this projection of rising sales value is not a cash flow that the State of Idaho will be collecting and spending to provide government services. That theoretical appreciation in sales value can be realized only by actually selling the lands for their market value in commercial real estate markets. But the State of Idaho does not have a policy of doing that nor is it likely that such a policy will be implemented in the foreseeable future. In short, there are legal and political limits on the sale of those lands. In that setting it would be misleading to list this theoretical estimate in the growth in the Trust Lands’ sales value as an *actual* financial return on those Trust Lands. It is not.

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<sup>29</sup> Dennis R. Becker and Philip S. Cook, “Financial Performance of Idaho’s Endowment Rangelands,” p. 1. University of Idaho, Policy Analysis Group, Issue Brief No. 17, March 2016. The Resource Dimensions “Grazing Market Rent Study,” August 2012, done for the IDL estimated that the appreciation of grazing Trust Lands contributed ever more to the overall return on those lands: Of an estimated total return of 4.9 percent, the growth in the value of the land contributed 80 percent of that return and grazing fees only 20 percent (p. 144-146). Resource Dimensions estimated the appreciation in the value of grazing Trust Lands by using NASSA data on the change in the value of “pasture” land. The average annual increase calculated was 15.7 percent per year. For some years the increase in the value of those pasture lands was 25 to 50 percent in a single year. It is not at all clear that this is a reasonable way to estimate the value of grazing Trust Lands given that the availability of irrigation for private pastures is important to the determination of their value or that an open market for private land sales is an appropriate way of conceptualizing the return on state lands that are not for sale.

### *Conclusion on Including Trust Land Appreciation in Calculating Return on Assets*

Projected increases in the sales value of Idaho Trust Lands should not be included in estimates of the return associated with grazing leases on those lands. Ranchers lease the forage on those lands. They do not rent or buy all of the property values associated with those lands.

Projected increases in the sales value of Idaho Trust Lands also should not be included in calculating the “total return on assets” associated with those lands. There are political and legal limits to the sale of those Trust Lands and there is no imminent policy change that is likely to allow the sale of substantial parts of the Trust Lands. For that reason, the conversion of such theoretical land appreciation into a cash flow is not a reasonably foreseeable outcome that should be included in a state government financial statement.

### **8. Practical Matters: Moving Towards a Trust Lands Grazing Fee That Actually Reflects the Fair Market Value of the Forage**

As discussed above, the Montana Model assumes that the fair market value of grazing Trust Lands can be determined by reducing the private lands grazing fee by the value of the additional services private land grazers obtain from the landowners compare to the services Trust Lands provide to grazers. That makes the value of the additional services provided by private grazing landowners an important determinant of the fair market value of Trust Land grazing.

Four different values for the differences in services to grazers have been suggested in the discussion of Idaho Trust Lands grazing fees. Stated as multipliers applied to the Idaho private lands grazing fees, those are:

0.88 to 0.86: 2012 Estimates from the Idaho Grazing Rents Study.

0.78: 2011 Estimate from the Bioeconomics Montana grazing fee study.

0.70: “Consensus” value from 1980s-1990s studies. It was used in UID PAG study.

0.56: Value used in the 2017 Grazing Rate Methodology Review.

Depending on which measure of the value of additional services received by Idaho private land grazers is adopted, the implied “fair market value” of Trust Land grazing will be either far above current Trust Lands grazing fees or within about 20 per cent of them. We demonstrate in the calculations below.

In the February 26, 2017, “Alternative #6 Addendum - Grazing Rate Review Analysis,” the University of Idaho Policy Analysis Group estimated the fair market value of forage on Idaho Trust Lands by reducing the Idaho private lands grazing fees by 30 percent to account for the higher level of services provided by private land owners compared to the services provided by the state of Idaho for Trust Lands. Using a 70 percent multiplier was supported by analysis from the 1980s and 1990s. If, instead, we use the value of the services that private Idaho grazing land owners provide to livestock grazers but which Trust Lands used for grazing do not, the private lease rate should be reduced by 14 percent, not 30 percent.<sup>30</sup>

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<sup>30</sup> See Section 6 above.

The 2016 average Idaho private grazing fee was \$17.34 per AUM.<sup>31</sup> With the 14 percent reduction, the fair market Trust Lands grazing fee would be \$14.91 per AUM. The actual Trust Land grazing fee in 2016 was \$8.09, only 54 percent of the fair market value implied by an 86 percent multiplier.<sup>32</sup> The 2016 fTrust Lands Grazing fee would have to almost double to reflect this particular estimate of the fair market value of Trust Land grazing.

If, instead, the adjustment for the different level of services provided by owners to grazers was the 44 percent (a multiplier of 0.56) that IDL used in the Montana Model and Revised Status Quo (\$2.00)<sup>33</sup>, the implied fair market value of Trust Land grazing would be much lower, \$9.71 per AUM, about 83 percent of the 2016 Trust Land grazing fee. A twenty percent increase in that Trust Land grazing fee would make the Trust Land grazing fee equal to the fair market value of Trust Land forage implied by the 56 percent multiplier.

Minimizing the implied increase in the Trust Land grazing rate in order to produce a grazing fee that could be labeled “fair market value” may have been the purpose of IDL’s choice of applying a 56 percent multiplier to the Idaho private grazing fees.

Given that the IDL specifically funded a study of Idaho private land grazing to obtain information that would help the Land Board to incorporate Idaho private land grazing fees into the process of establishing fair market grazing fees for Trust Lands,<sup>34</sup> it would be appropriate to incorporate the relevant results of that study into the Trust Lands grazing fee process, including the 0.86 multiplier to account for the higher value of services associated with private grazing leases. The large gap, 83 percent, between current Trust Lands grazing fees and what the analysis of Idaho private grazing fees suggest should be the target fair market value, however, is likely to discourage making use of the results of that and other studies that IDL has commissioned of how to estimate the fair market value of Trust Land grazing.<sup>35</sup>

One way of proceeding to move the Idaho Trust Lands grazing fees systematically towards the fair market value standard would be to spread the move over a five-year period. Given the size of the gap, 84 percent, however, this would require grazing fees to increase about 13 percent each year for those five years in addition to whatever other increase the private grazing fees were indicating. A more conservative approach would be to move towards a grazing fee level that reached 70 percent of the private grazing fees over the next five years. That would require the grazing fee to grow from \$8.09 to \$12.14, a 50 percent increase over five years or an annual eight percent increase in addition to whatever increase the changing Idaho private grazing fees were indicating. At the end of that five-year period, the Land Board, could review new information on the accuracy of federal private grazing fees in Idaho and the best information on the appropriate discount below private land grazing fees to obtain a fair market Trust Lands

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<sup>31</sup> University of Idaho Policy Analysis Group, February 26, 2017, “Alternative #6 Addendum – Grazing Rate Review Analysis,” p. 1.

<sup>32</sup> Ibid. Table 1, p. 3.

<sup>33</sup> IDL, “Grazing Rate Methodology Review”, undated (ca. July 2017), p. 3.

<sup>34</sup> Resource Dimensions, “Idaho Department of Lands Grazing Market Rent Study,” a report done for the Idaho Department of Lands, August 2012.

<sup>35</sup> E.g. the “Alternative #6 Addendum – Grazing Rate Review Analysis, February 26, 2017, Dennis Becker, Policy Analysis Group, University of Idaho.

grazing fees. If information from Idaho studies of private grazing fees still indicate that the federal NASS Idaho private grazing fee data accurately reflects changes in private grazing fees and that the appropriate multiplier to be applied to those private grazing fees to determine the fair market Trust Lands grazing fee is still about 0.86, then the Trust Land grazing fee should continue to be increased each year over the following five years until it is based on 86 percent of the Idaho private grazing fee. At that point, the state of Idaho would be receiving the full fair market value of the forage on Idaho Trust grazing lands.

*Conclusions on Closing the Gap between Current Trust Lands Grazing Fees and the Fair Market Value of That Trust Lands Grazing.*

The 2016 Trust Lands grazing fee was only about half the calculated fair market Trust Lands grazing fee. Because of the size of the gap between current Trust Lands grazing fees and the fair market value of that grazing, it would take an 84 percent increase in the Trust Lands grazing fee to reach the fair market level. For that reason, it may be appropriate to move towards full fair market value over a ten-year period. During the first five years the Trust Lands grazing fees could move to 70 percent of the Idaho private grazing fees. In the follow five years, the Trust Lands grazing fees could move to 86 percent of the private grazing fee level, the current fair market value for the Trust Lands grazing. During that ten-year period, the IDL could continue to analyze private grazing fees in Idaho and the differential value of the services provided by the state and private grazing land owners. That would allow the Land Board to check its progress in moving Trust Land grazing fees to reflect the fair market value of Trust Land forage.

# IDAHO CATTLE ASSOCIATION



*since 1915*

September 1, 2017

Idaho Department of Lands  
300 N. 6th Street, Suite 103  
Boise, ID 83702

Submitted via email: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

## **RE: Idaho Department of Lands Grazing Lease Rate Review**

The Idaho Cattle Association (ICA) submits the following comments regarding the Idaho Department of Lands (IDL) Grazing Lease Rate Review. ICA represents the cattle industry in Idaho, including ranchers who have state lands grazing leases. We ask that you weigh our comments and concerns accordingly, as you move forward with recommendations for the Idaho Land Board.

### **Benefits of Grazing to the Endowment**

As IDL moves forward in this process, we want to emphasize the important role that livestock grazing plays in both the state's economy and in the management of the state's land. Both factors are key in supporting the state's endowment fund and in understanding the effect that a change in the grazing rate may have, not only on our industry, but on state lands and to the Endowment.

Livestock grazing leases provide a consistent source of revenue to the state. These leases are based on a renewable resource that replenishes itself annually. Thanks to the foresight of our state's founders, the endowment is comprised of a diverse mixture of real estate. This real estate has appreciated significantly over the years. Grazing lands have appreciated in value and represent an excellent diversification of investment for the endowment. Grazing benefits that investment with predictable cash flows. A healthy cattle industry is necessary to protect that cash flow, and accordingly the endowment. In managing for long term returns, this predictability is an invaluable portion of the endowment's portfolio.

In terms of economics alone, IDL should focus on maintaining a strong grazing program. With so much of Idaho's lands in control of the state and federal government, Idaho's ranchers are dependent upon the use of these lands in order to maintain viable businesses. It is in the best interest of IDL and the Land Board, as you carry out your role of safeguarding the endowment, to encourage a vibrant economy. A strong cattle industry guarantees revenues to the endowment for years to come.

By its nature, ranching is a very unstable occupation. Further changes to the industry that increase this instability, such as an over-inflated grazing rate, threaten the economic backbone of Idaho. A University of Idaho study of the Owyhee County area determined that approximately \$50 of direct and indirect economic activity is generated regionally by one cow and her calf grazing for one month. Although this figure varies county by county, if used to generalize the economic value of ranchers across the state, the total benefit is significant. Considering that the state leases 257,000 AUMs, that calculates out to approximately \$13 million in revenue that the state and its citizens enjoy due to the grazing program each year, in addition to the direct grazing fee revenue. Another economic study concluded that every beef dollar turns over five times. All this economic activity supports property values of ranches and creates a significant amount of income and sales tax for the state. While it may be true that, due to a Supreme Court decision, the Land Board cannot consider the direct economic impact of its decisions on a rancher, it is also true that its chief responsibility is in strengthening the endowment. As such, the effect of decisions regarding IDL's grazing program has ramifications on the economy of the whole state, and thus the endowment. Ensuring viable rural, small communities in Idaho means protecting grazing on public lands.

Grazing lessees are vital partners with IDL in managing the state's lands. The grazing fee is only a small portion of the contributions that lessees bring to the state. (For further evidence of this, please refer to the attached statement, "Non-Fee Costs Associated with Using Federal and/or State Grazing" prepared by market analyst John Nalivka.) Further, if all grazing leases were cancelled, the administrative costs that IDL incurs in managing its rangelands would not comparatively decrease. Excluding grazing would only increase the workload for the IDL. Without ranchers to assist in cooperatively managing the state lands, IDL would be wholly accountable for controlling noxious weeds. Perhaps the biggest, and most potentially costly, threat to IDL's lands is wildfire. Without the important role that grazing plays in fine fuels reduction, IDL would have to greatly increase their fire prevention efforts on 1.77 million acres. Improvement maintenance is another important role that grazing lessees fill for the state. Without grazing leases, IDL personnel would be solely responsible for building and maintaining fences to keep livestock out or else allow them to graze free of charge.

Continued livestock grazing provides a sound land management tool for IDL. As a wise and sustainable use of the land, grazing fosters a good ecological balance as it promotes good grass growth, prevents or lessens the threat of wildfires, and controls the spread of weeds. Additionally, there are places in Idaho that, without developed water sources, would have no water for 50 miles or more. Because of these water developments that ranchers have established across the state lands, wildlife have been able to flourish. Without these water sources, there would be no sage grouse, no elk, no deer. Certainly, IDL would not be able to maintain the wildlife's vital water supply on all of this land if the ranchers were gone.

### **Private Land vs. State Land**

All but one of the alternatives include the private land lease rate as part of the formula. We are particularly concerned about alternatives 2, 3, and 4 which are heavily based on this one



factor. There is great disparity between private land leases and state land leases. There are vast differences in the type of land and land value, along with the amount of fencing, water, and management included. Further, private leases typically have shorter terms than state leases. IDL does not have the efficiencies allowed in the private sector, especially in the cost of lease renewal, which make the comparison further void. Long-term leases are an effective way for IDL to net more revenue by limiting the expensive elements of the grazing program (i.e. lease renewal). It is therefore an inaccurate representation of the market to base state rates so heavily on private rates.

### **Comparison of All Land Ownership Types**

When attempting to establish the value of a state lands lease, IDL has almost exclusively drawn comparisons to private lands leases while overlooking the largest landowner and grazing lessor in the state, the federal government. In fact, IDL is competing with both private land and federal land for its grazing lease program. This is particularly true because state lands are much more comparable in type and situation to federal land than private land. At the 2017 rate of \$1.87, the federal grazing rate is well below the state grazing rate and should serve as an anchor to any proposed changes.

### **Intermingled Ownership**

According to IDL's Grazing Business Plan, 29% or approximately 350,000 acres of the state grazing land is intermingled with federal land. If the Land Board were to adopt a new grazing rate alternative that increased the prices too much, the state runs the risk of foregoing the rent received on those lands. Several lessees who have grazing permits/leases on intermingled federal and state lands have indicated to us that if the state rate is too high, they will just forego their state lease. The state does not have the capability—primarily due to access issues—nor does it want the expense, of fencing off the state land within federal parcels. This would be lost revenue to IDL.

### **The Value of a State Lands Grazing Lease**

In the past, IDL has contended that premium bids on conflict lease auctions provide evidence that leases possess a higher market value than currently charged. In fact, IDL's Grazing Business Plan identifies that in 2010-2014, only five percent of the leases are conflicted, and the long-term average is even lower. This low conflict rate would indicate that 95+% of leases are at or above market value. It is not accurate to assume that premium bids in conflict values establish the real value of the lease, and certainly not the value of other state land grazing leases. The fact that there is such a low conflict rate provides evidence that the current grazing rate is not under market value.

### **Importance of a Fair and Consistent State Grazing Rate**

The formula-based grazing rate provides an important level of predictability that is important in any business environment, and particularly in cattle ranching. Without a formula, the grazing rate would be too easily left to the political whims of whoever the current leadership

is. The best thing that state land leases have to offer is stability. This, in turn, ensures a stable, long-term return on investment to the endowment. The current formula has done an adequate job of tying the grazing rate to market conditions. Any change must likewise offer stability. Consistency is best for all involved, from the state, to the endowment, to the lessees.

### **Alternative Development Process**

We appreciate that the Idaho Department of Lands and Idaho Land Board went through an exhaustive process to review the state's grazing rate methodology and develop potential alternatives. We believe that it was beneficial to discuss these issues with stakeholders through the advisory group process and appreciate the opportunity it gave us to provide input.

It was particularly because our knowledge of the process and the alternative development that we became very concerned when we learned an additional alternative had been added well outside of the advisory group process and after the analysis had been conducted and without the benefit of any stakeholder discussion. It is extremely frustrating to us that we invested a significant amount of time in the advisory group process to then realize that our efforts, and those of the group, were largely overlooked. If an additional rate methodology was justifiable to be considered, it should have been brought up through this process.

### **Conclusion**

With ranchers' presence on state land, IDL has a strong, dependable partner working for the good of the land and thus, the endowment. Our industry is proud to work with IDL to bring revenue to the endowment. The best way to do that is to work together. We have a proven history of cooperation. We look forward to a continued dialogue and partnership with the Department of Lands and the Land Board to promote and preserve a strong grazing program in Idaho by ensuring the state rate is justifiable—both to grazing lessees and to the Endowment.

Thank you for considering our comments. Please contact us if you would like further input or have additional questions.

Sincerely,



Jerald Raymond, President  
Idaho Cattle Association

# Idaho Wool Growers Association

Organized September 25, 1893, At Mountain Home, Idaho

## OFFICERS

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President  
Buhl

John Noh  
Vice President  
Kimberly

Brandy Kay  
Executive Director  
Emmett

August 31, 2017

Idaho Department of Lands  
300 N. 6<sup>th</sup> St., Suite 103  
Boise, ID 83702  
Submitted via email: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

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Hagerman

## RE: Idaho Department of Lands Grazing Lease Rate Review

The Idaho Wool Growers Association (IWGA) is submitting comments for the Idaho Department of Lands (IDL) grazing rate review. The IWGA represents the Idaho Sheep Industry. Many of our producers graze on public, state and private lands. You will find that many of our comments the IDL and State Land Board members heard first hand from the ranchers at the IDL grazing rate review public meetings.

- ***The Benefits of Grazing:*** Grazing lessees and the IDL have been long standing partners in managing the state lands providing benefits not only to the endowment but the land itself. Besides grazing fees these are other benefits provided by grazing:
  - Fine fuels reduction- This helps prevent wildfires and lowers the cost of fire prevention and management.
  - Controlling noxious weeds- If they are not grazed by lessees then herbicides will have to be used or the IDL will by paying for goats or sheep to come graze them.
  - Paying for improvements on the land, including maintaining fences. Lessees share the cost of improvements with the IDL.
  - Provides water sources to areas that normally do not have water, making water available for wildlife in more areas.
  
- ***Private VS. Public:*** There is no comparison with the state lands and private land leases.
  - Private lands are a different type of land and have a different value.
  - Private Lands usually have better resources for water and the improvements on them are taken care of by the owner not the lessee.
  - State lands are most similar to federal lands. Federal lands grazing rates are \$1.87. A much lower rate than state lands current grazing rate. This should be taken into consideration.
  - This difference in lands needs to be considered when working with the private market rates.

- **Value, Balance & Longevity:** There needs to be a balance between funds gained and longevity of the program.
  - Raising Prices and lowering lease terms are not in the best interest of the ranchers as participants or the IDL as the Endowment managers.
  - Most producers consider their state lands leases as a donation to the Endowment fund. Their state land leases are usually close to if not intermingled with their federal permits and private lands. *If the state rates are too high producers have indicated that they will forego their state leases. This would be a revenue loss to the IDL.*
  - Ranching operations think long-term, it is not worth their time to support short-term, high cost, low value systems.
  
- **Formula Bases Rates:** Having formula based rates is important because it keeps thing fair and stable. The current formula has done a good job of creating stability, any change would also need to be consistent and stable.
  - Provides a predictable environment for ranching businesses.
  - Keeps rates fair so that they are not driven by political whims of leadership.
  - Provides consistency for the endowment and the lessees.

Ranchers have been a dependable partner for the IDL over the years, they appreciate the importance of the endowment and have willingly supported it through grazing rates and funding the improvements on their leases. They are also excellent land managers and increase the value of the state lands by keeping the lands healthy and vibrant for grazing and wildlife. There needs to be a balance of revenue and value to the ranching businesses. Ranchers can provide a consistent long term reliable partner, but that needs to be affordable, and benefit them.

Thank you for allowing us to comment on this process. The IWGA appreciates the time and effort it takes for reviews and would like to be included in future review/advisory processes concerning grazing rates/issues that our members face.

Once again thank you for your time and please contact the office at 208.344.2271 or at [idaholambnwool@gmail.com](mailto:idaholambnwool@gmail.com) if you have any further questions.

Sincerely,



Joh Noh, Vice President  
Idaho Wool Growers Association



OFFICE OF  
**BOARD OF COUNTY COMMISSIONERS**  
 ADAMS COUNTY  
 P.O. BOX 48  
 COUNCIL, IDAHO 83612



Bill Brown, Chairman  
 Mike Paradis, Commissioner  
 Joe Iveson, Commissioners

Sherry Ward  
 Clerk of the Board  
 Phone: 208-253-4561  
 Fax: 208-253-4880

August 28, 2018

Idaho Department of lands  
 Jason Laney  
 jlaney@idl.idaho.gov

To Whom It May Concern:

Adams County Board of Commissioners feels the current rate and formula the Idaho State Land Department uses to charge the animal unit monthly (aum) is more than adequate. Raising the rate an additional \$4.00 to \$5.00 could be devastating to permittees figuring cost comparison on private land lessees and its benefits. Death loss and cost of maintenance is much larger on State land along with lower conception rates. Currently, State charges 3X the amount Forest Service and BLM.

The Board of Adams County Commissioners recommends to the State Land Department not raise rates.

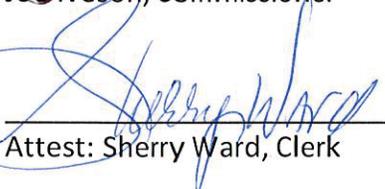
Please contact us if you have any questions.

COUNTY OF ADAMS  
 BOARD OF COUNTY COMMISSIONERS

  
 Bill Brown, Chairman

  
 Mike E. Paradis, Commissioner

  
 Joe Iveson, Commissioner

  
 Attest: Sherry Ward, Clerk



Director Tom Schultz  
Idaho Department of Lands  
300 N 6<sup>th</sup> Street, Suite 103  
PO Box 83720  
Boise, ID 83720

August 31, 2017

*Sent electronically to: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)*

Dear Director Schultz,

Thank you for the opportunity to provide comment on the Grazing Lease Rate Formula Review. I appreciate and understand the needs of Idaho Department of Lands (IDL) to manage state endowment trust land to meet the Constitutional mandate to maximize long-term financial returns to the State of Idaho. I sincerely believe that revenue from livestock grazing has been and will continue to be a necessary component in that long-term mission. It is critical that any formula selected be defensible, implementable, and predictable to ensure continuation of utilizing livestock as a component of State Land management. I commend IDL for including the Idaho Cattle Association as well as other industry representatives in the advisory group that participated in this process. I will provide comment on the review process, the alternatives in general, and each specific alternative.

It is clear by the review of the grazing rate formula that IDL is interested in improving its rate of return, specifically in livestock grazing revenues. In calculating the rate of return, it is important to consider both revenues and expenses. I encourage IDL to take a hard look at not only the livestock revenue portion of their budget, but the expenditure side of IDL as a whole, and what portions of IDL's expenses are being charged to the livestock revenue stream.

**Review Process:** First, the process has evolved significantly since the first documents were drafted. Visiting the website and trying to decipher which alternatives are which, and which ones we are supposed to comment on was very frustrating to those of us who have not been intimately involved in the process. Specifically, the policy analysis group – grazing rate review analysis does not contain the same alternatives as the IDL grazing rate methodology review. In addition, IDL including the Montana model into the review after the advisory group process was complete is unwarranted and undermines the entire public process. IDL as well as the advisory group participants learned a great deal from the advisory board process about each of the other alternatives. The Montana model should have received the same level of review prior to being considered. Having all public meetings within the same week made it difficult (or impossible) for some lessees to attend. In the future, public meetings should be more staggered in order to provide more people opportunity to attend.

### **General Comments as to Alternatives:**

The formula based grazing rate provides an important level of predictability that is critical in any business environment – including IDL and grazing lessees. The current formula has done an adequate job of tying the grazing rate to market conditions. Any change must likewise offer stability to IDL, state endowments and to the lessees.

Ranchers play an important role in the management of state lands. Not only do we provide vegetation management, we also bear many costs of grazing on state lands. While the current rate is set at \$6.46, the added costs that ranchers provide in caring for the state's land are vastly higher. These costs include fuels management, weed control, range improvement maintenance, active presence and more. These factors must be considered by IDL when selecting a new rate, as well in explaining the existing and proposed rate.

All of the alternatives lack any reference to the public land rate. The state land leases that Simplot holds are nearly all surrounded by Bureau of Land Management (BLM) or United States Forest Service (USFS) lands. Their vegetative makeup, topography, and accessibility are much more similar to federal lands than they are the private land leases. Every alternative (with the exception of alternative 4) weighs heavily on the private land lease rate. I question the accuracy of this rate, as all solicitations for information on private lease rates are voluntary. This is unlike the federal land rate, which is a known amount each year. In addition, while there are many similarities between state and federal grazing leases, there are vast differences between these types of leases and private land leases, including the type of land and land value, along with the amount of fencing, water and management included. Further, private leases typically have shorter terms than state leases or federal grazing permits. IDL does not have the efficiencies allowed in the private sector, especially in the cost of lease renewal. Long-term leases are an effective way for IDL to net more revenue by limiting the expensive elements of the lease renewal process. It is therefore an inaccurate representation of the market to base state rates so heavily on private rates. It is critical that IDL take this into perspective in the acceptance of any rate formula. We strongly encourage IDL go back to the table and rework an alternative to include the federal land rate, and exclude the private lease rate.

**Alternative 1: Status Quo:** This existing formula is clearly responsive to the cattle market as shown by the drastic increase after the cattle market reached a historic high. The two year lag which resulted in increased rates after the cattle market had taken a significant shift downward is reflection of how the formula, as well as the two year lag, functions. It seems that a shift away from the two-year time lag would benefit IDL as well as the grazing leasee. Would it be possible to amend this alternative to a one year, while meeting the 6<sup>th</sup> month notice requirement?

**Alternative 2: Revised Status Quo:** See comment above about concerns with the private land rate.

**Alternative 3: Revised Status Quo:** See comment above about concerns with the private land rate. This alternative is better as it assesses only a percentage of the private lease rate, but where does the 56% calculation come from?

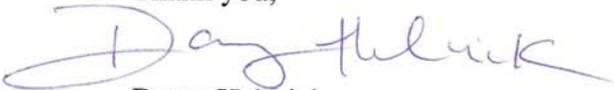
**Alternative 4: Calf Crop Share:** How are the UI numbers calculated? What time-period would be used to create the USDA 5.5 CWT annual steer rate average? This alternative seems like it would be more relevant (find better word) than any of the others, as price per CWT is far more documented than the private lease rate. How would this formula be used for sheep AUMs?

**Alternative 5: Montana Model:** this alternative should not be considered, as it was not part of the full process.

Because of these things, we request that IDL not change the existing formula or rate until further analysis has been completed to more adequately portray the difference in endowment and private land leases as well as lessee contribution. Simplot is also a member of Idaho Cattle Association and support any comments submitted by the ICA.

We look forward to working with you as we move through this process. Please contact me at (208) 834-5152 with any questions.

Thank you,

A handwritten signature in blue ink that reads "Darcy Helmick".

Darcy Helmick  
Land Manger – Simplot



**IDAHO FARM BUREAU FEDERATION**

500 W Washington Street  
Boise, Idaho 83702  
(208) 342-2688 FAX (208) 342-8585

August 29, 2017

Idaho Department of Lands  
ATTN: Jason Laney  
300 N. 6th St. Suite 103  
Boise, ID 83702

Dear Mr. Laney:

On behalf of the more than 76,000 Idaho families who are members of the Idaho Farm Bureau, I am writing in response to your request for comments on the proposed alternative grazing rate formulas for state grazing leases. Our members have a vested interest in this issue since many of our members are lessees on state endowment lands, many others sell feed to those who graze on state lands and want to see them have continued viable operations, while still others have significant business relationships with state grazing lessees.

The members of the Idaho Farm Bureau support retaining the current grazing rate formula and oppose all alternative formulas as proposed.

The current formula has worked as designed for nearly 25 years. All users are familiar with it and the state grazing fee has fluctuated both up and down with the market as it was intended.

We were disappointed that IDL personnel were openly and actively advocating for higher grazing rates at the information meetings held around the state. IDL staff should be presenting facts, not advocating for positions. Furthermore, the main argument IDL staffers used to support their assertion that Idaho grazing rates should be increased was that grazing rates are higher on state lands in surrounding states. This is not a persuasive argument.

For instance, there are many reasons why surrounding states may charge higher fees for state lands grazing than does Idaho. They may have more productive range ground. They may have more or better water developments on state lands. They may provide additional services that Idaho does not provide such as fencing, exclusive access, greater tenure or more certainty of price or lease terms. Perhaps they have fewer predators or more noxious weed control or a whole host of other reasons that would make it reasonable to charge more.

Furthermore, Wyoming charges quite a bit less than Idaho. Should we consider reducing our rates because one of our neighboring states charges less? What about the federal government? They administer far more grazing land in Idaho than the state does. Arguably,

the BLM and Forest Service, administer land in Idaho that is far more comparable to state endowment lands than the endowment lands in the surrounding states. Moreover, the federal government charges far less than the state formula does. It is just as credible, if not more so, that Idaho should reduce its grazing fee and charge the same as the federal government does.

Our members firmly believe that the endowment beneficiaries should do their best to charge what the forage is worth and no more, recognizing the constraints they are required to abide by within the Idaho Constitution. The Land Board Grazing Rate Subcommittee has already determined through more than a year-long process that it is not only impractical but virtually impossible to negotiate each individual state grazing lease separately as the private market does. Yet, this is the only sure way to know you are achieving “market rates.”

Therefore, state trust lands will never reflect true market rates. However, for efficient administration, past Land Boards have wisely determined that a formula should be used to set a reasonable base fee; with the opportunity for premium bids on those parcels that are actually undervalued.

Clearly, the state would like to receive more money, just as every other business would like to raise their prices. Just because you raise your prices does not mean you will retain the same number of customers or actually achieve increased revenues.

The current system allows for premium bids over and above the base rate. Despite the fact that some IDL employees think the current fee is too low, there is always an opportunity for those who think the forage is worth more than the base rate set by the grazing formula to bid the parcel away from the current lessee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

It has been argued that many state grazing lease parcels are surrounded by federally administered lands or private lands, and therefore, are not really subject to competitive bids since nobody else would have access to graze the state parcel except for the person who grazes the federal lands or owns the private property.

While this may be true, it also illustrates the point that this also cuts both ways. Many individuals in this situation are currently willing to pay the state grazing fee because it may be somewhat close to what the rancher believes the forage is worth. However, if the state arbitrarily raises the fee just because they can, or they want to, there will likely be many of these parcels which will no longer be formally leased but will continue to be incidentally grazed unless/until the state fences off those parcels to keep the surrounding cattle out. Idaho is a “fence out” state.

Many of our members have provided information illustrating that the state grazing fee is only a small fraction of the cost of grazing on state endowment lands. There are numerous other costs involved which are not typically required when grazing on private lands such as greater travel distances, fencing, and maintenance, water development costs, increased predator loss, noxious weeds, etc. Therefore, just as comparing Idaho endowment lands to other states is inappropriate, it is likewise comparing apples to oranges to compare Idaho endowment lands to private grazing leases. All that is being provided on state lands is the forage, and no other services or amenities. The Land Board and the beneficiaries cannot expect to receive payment that reflects anything above strictly the forage value, which is exactly why the federal grazing fee is so low.

The biggest objection that has been raised about the current state grazing formula is that it contains an arbitrary “adjustment factor” which was originally designed to ensure the formula did not go below \$5.00 per AUM. While that may cause concern for some people, it is not a rational reason to scrap the current formula. In fact, three of the four proposed alternatives also include a completely arbitrary number. Alternative 2 uses the same number that the current formula uses, while alternatives 3 and 5 use another arbitrary number that was set by the Montana Land Board in a similar fashion to the number our current formula uses.

Therefore, if using an “adjustment factor” is grounds for doing away with the current formula, then you must by the same logic completely dismiss alternatives 2, 3 and 5.

Furthermore, alternative 5 was not even a part of the analysis and subcommittee work that took more than a year to complete. It was slipped in at the last minute as another option for consideration, yet no real analysis took place.

This only leaves alternative 4 to consider. Alternative 4 is far more volatile and less stable than the status quo and is for those reasons alone far less desirable to our members, and presumably to the beneficiaries. Furthermore, based upon the IDL analysis applying historical data to this formula, our members are quite concerned that although this formula would have set fees fairly similar to the current formula during years of low cattle prices, during high cattle prices, alternative 4 causes the grazing fee to rise significantly above the current formula. This would, therefore, take far more money out of the pocket of the rancher at a time when he is generally trying to recoup losses suffered during the low price periods of the market. This creates a situation where average margins across time are even narrower for lessees and thus causes their operations to be less sustainable over the long term.

In addition, during the development of the calf crop share alternative, the subcommittee went to great lengths to document, using two different methodologies, why a 12% calf crop index was the appropriate factor to use in the formula. However, in the final formula, a 13% calf crop index value has been used with no explanation of the deviation from the original rationale. Therefore, at a minimum, if the State Land Board determines to move forward with the calf crop share alternative, the index must be moved back to the original 12% which has the

underlying documentation to justify that number. Otherwise, you once again have an arbitrary number in the formula with no more reasonable justification than any of the other formulas.

Finally, the most recent analysis sent out from IDL attempts to show the "Gross Endowment Trust Land Revenue" that would be realized under each scenario. Unfortunately, this analysis is far too simplistic to be of any value. It simply multiplied the average computed AUM rate for each of the proposed alternatives over the past ten years by the number of AUMs available and asserted that this is the amount of revenue that would be realized by the Endowments.

Unfortunately, what this simplistic analysis does not take into consideration is that every one of the proposed formulas results in a grazing fee that is higher than the current fee. If demand for grazing on state lands was perfectly inelastic, you could use such a simple analysis. However, grazing demand is not perfectly inelastic; and, as prices move higher, there will be less demand for state grazing leases. At some price, there will be ranchers who will not pay the higher fees. Instead, they will substitute other grazing lands or will reduce their herds, or both.

There is no guarantee, nor is there even a high likelihood that the numbers presented will be realized. It is just as possible that if the formula is modified and grazing fees are substantially higher, the endowments may actually bring in less revenues if numerous ranchers decide the forage on state land is simply not worth what the state is charging.

In conclusion, it therefore makes the most sense to maintain the current formula, which has worked well and as expected for the past 25 years. IDL has a strong track record of leasing all, or very nearly all state leasing units under the current formula, and you still have the opportunity to receive bonus bids for those parcels where the forage is actually worth more than the formula suggests.

We appreciate the opportunity to comment on this important issue. If you would like any additional information, please do not hesitate to contact Russ Hendricks in our Boise office at 342-2688.

Sincerely,

A handwritten signature in black ink that reads "Bryan Searle". The signature is written in a cursive, flowing style.

Bryan Searle, President  
Idaho Farm Bureau Federation

## ATTACHMENT 4 – Public Comments, Compiled

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To Whom It May Concern:

Our family has been involved in the livestock industry in southwestern Montana and southeastern Idaho for over 130 years. My brother, son, and I are managing some of the same lands that our family predecessors utilized and this includes state school trust land in Idaho that we lease. We take the responsibility of land stewardship very seriously on all the land we own and lease. We believe it is important to pay a fair market value for the AUMs we harvest from state land. The value of grazing land is determined by the relationship between the costs of the inputs necessary to harvest the forage and the quality of forage in relation to the market value of the product produced. The state grazing lease only provides forage on land in open space and requires the lessee to provide all the infrastructural inputs necessary to develop a management unit that is efficient in forage utilization, while providing the required stewardship to meet agency requirements, optimize resource production and enhance the appreciable value of school trust lands in the long term. This is no small task and is much more expensive than portrayed in studies quoted by academia and economists and as perceived by agency personnel, politicians, the general public and lessees who do not keep accurate cost records.

Currently our business income and expenses are derived from the sale of livestock that harvest forage from the land bases we manage. The forage produced on the land entities is sold to the livestock entity on an AUM basis. These entities are separate businesses with financial statements that reflect the costs and incomes relevant to each entity. This gives us a realistic and accurate accounting of the costs associated with harvesting forage from open space while optimizing AUM production and enhancing the ecological health of the land base in our working landscape. The land holding entities have a similar challenge as does the managers of School Trust Lands in determining a fair market value for the forage harvested from open space. As landowners, lessees and permittees we have accurate records of the cost of the infrastructure and management needed on the grazing resource along with the livestock costs of harvesting this forage under our specific landscape and business attributes. We know our costs and they are much greater than those often estimated by economists and agencies. Many lessees do not keep separate costs figures and the costs perceived by politicians and the general public are most often those quoted by activists claiming grazing fees are a subsidy and they have no knowledge of the subject. In 2016 on our Idaho operation it cost \$17.05 per 1000 pound AUM to provide the land management and infrastructure necessary to harvest forage from open space. It cost an additional \$11.34 (including vet and trucking) per 1000 pound AUM to manage the livestock harvesting this forage for a total cost of \$28.39 per 1000 pound AUM. We have an intensively managed operation in two states with rangeland 100 miles apart and this would certainly put us on the high end of the cost spectrum. We do have a 21,000 acre forest allotment in Idaho that we keep separate costs on and over the last 5 years these costs averaged \$35.36 per 1200 pound AUM or \$42.43 for a 1000 pound AUM. Costs of harvesting forage off open space with livestock are greater than most recognize.

I commented extensively when Montana updated the multiplier in their formula in 2011. I have commented on and off the record several times during the recent process Idaho has used in their Grazing Rate Methodology Review and have served as a livestock representative on the Grazing Subcommittee Advisory Group to assist the Grazing Subcommittee in the review and development of viable alternatives to the existing formula. It has been 24 years since the current rate structure in Idaho has been implemented and I commend the work done by IDL in their analysis of the State Grazing Plan. It is to everyone's benefit to complete this process and foster the understanding of all interested parties of the

importance that an equitable grazing rate has to the mandated responsibility of the Land Board in managing school trust lands. This responsibility not only includes generating revenue from grazing use on state land, but optimizing value through managing costs and enhancing the long term appreciable value of state grazing lands by establishing a grazing rate that is economically viable for the lessee who is a captive manager for the state.

Five alternatives were selected for comment in the Grazing Rate Methodology Review. The present grazing formula has been used for 24 years and changing conditions of the grazing resource, livestock industry, school funding, land use, public perception, litigation, economic realities and other issues make it prudent to again analyze the current formula. Certain criteria have been outlined for consideration in this process. The formula must be consistent with the fiduciary responsibility outlined by the state Constitution, should be a defensible process driven by market data, optimize management that supports the long-term sustainability of the resource, practical transparency that is efficient to administer, and a formula that is fair and predictable. These criteria set the bar much higher than it was 24 years ago. The litigious tendencies of society coupled with the perceptions of urban populations demand that the alternative chosen can withstand the legal challenges that are sure to come. The demands of the general public for resource health, the huge infestations of noxious weeds and the limitation being put on vegetative manipulation by the Sage Grouse issue increases the cost to the lessee of managing the grazing resource and decreases the saleable forage produced on state lands. The land appreciation value enhanced by lessee stewardship coupled with the assumption of the infrastructure and associated livestock costs of harvesting forage off open space must be recognized in determining an equitable grazing fee that serves both the state and the lessee. An analysis based solely on rate of return and land expectation value does not reflect the value of appreciation or the costs of grazing open space and the resource management shouldered by the lessee on behalf of the state.

The private land lease rate collected annually by the National Agricultural Statistics Service (NASS) is a component in all the alternatives except Alternative 4 (Calf Crop Share). This information is generally collected by phone or mail surveys and the data are based on producers' answers to a list of questions. The small number of producer surveys answered compared to the total number of lease arrangements, raises the concern of whether the data is statistically reliable or significant. Those involved in private lease agreements generally do not publicize their lease arrangements and each lease has specific obligations that are performed by either the lessee or lessor. The variation in services provided and the quality of the forage on each leased premise makes it very difficult to arrive at a figure that accurately represents the value of forage in open space on state land. For this reason I do not think the Alternatives using the private land lease rates as a component in their formulas can be defended as to their accuracy. The fact that this is being done in many states does not relieve us of the responsibility to the School Trust and lessee to use more accurate data and processes. It would be difficult to defend a formula using this data in today's legal and political environment.

Alternative 1 and 2 use a base value of \$1.70 in their formulas. Alternative 3 uses \$2.00 as a base value and this has been derived by indexing the \$1.70 base used in Alternatives 1 and 2. If one looks into the history of how \$1.70 was derived as a base value, you would find that in the 1993 development of the grazing fee, members of the Land Board did not want the grazing fee to be above \$5.00 dollars. They worked backward through the regression equation and set a base value of \$1.70 which resulted in a fee of \$4.90/AUM. Even though the current formula in Idaho has been accepted and used for 24 years, the methodology used to determine the base value to arrive at a predetermined outcome could certainly be challenged in court. Since the \$2.00 base value used in Alternative 3 is an indexed product of this same methodology, it too would be liable to challenge. The base adjustment factor of Alternatives 1, 2, & 3 all

lack transparency. The removal of the multicollinearity of the forage value index on private lease rates and the Prices Paid Index for the 11 western states is a positive addition to Alternatives 2 and 3.

Alternative 5 (Montana Model) uses a multiplier based on the NASS Montana private lease rate discounted 30% to cover expenses as recommended by a 2011 economic study that used data from a previous 1988 study that was not updated. In the hearing the Land Board reduced the multiplier \$1.53 for weed abatement and another \$1.17 for perceived nonuse on rotational grazing systems to try and mitigate the unrealistic estimated costs per AUM of 30% of the private lease fee. The Subcommittee Advisory Group did not consider the Montana formula after discussions enlightened the members with the problems in the economic data presented and the fact that the Governor of Montana and Land Board disregarded updated and professional data in their decision. I was disappointed that the Montana Alternative was added back as Alternative 5 by the IDL director. In 2016 the fee per AUM of grazing state land was \$19.57 and with our Montana infrastructure and livestock costs added it cost us \$42.55 to harvest the forage on open space on our state leases. This is not sustainable nor does it encourage good stewardship on state lands. The Montana model is not a viable option.

After much thought and time spent over the last two years working on developing a grazing fee formula that best meets the criteria outlined, it is apparent to me that Alternative 4 (The Calf Crop Share Model) is the best choice. This formula uses the adjusted value of the sale of the production generated by the forage harvested off state lands and uses a multiplier based on the costs of harvesting this forage. This formula incorporates an adjustment for sheep along with an annual review of the static production variables used to determine the calf crop index. This will allow for adjustment of static figures if changes need to be made. The Calf Crop Share percentage could easily be changed if pasture costs change significantly. The grazing fee generated by this formula would have greater fluctuation reflecting its correlation to calf prices, but that is the nature of the business and needs to be recognized as such. The Calf Crop Share model would result in rental rates and income that is greater than Alternatives 1 and 2 and less than alternatives 3 and 5. This will certainly raise concern with the lessees but is a good tradeoff for a formula that is more defensible, can be adjusted more easily if necessary and is based of indexes more transparent to their production and costs. This formula mirrors the cash crop share formulas used by the state which should aid in lessee acceptance and understanding and the ability of the state to defend the formula. Change is uncomfortable, but necessary when needed. Hopefully the comments provided will help the Grazing Subcommittee and Land Board make a wise decision on choosing a grazing formula that is equitable and defensible. Thanks for the opportunity to comment.

Sincerely,

Jim Hagenbarth

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I support retaining the current state lands grazing rate formula. The term "status quo" is pejorative, inferring that there is something wrong with it. Maybe so, but no more so than the other Alternatives.

The current system, even with its "multicollinearity", has been adequate. Its prime attribute, not noted in the Grazing Rate Methodology Review, is that it allows bidding for leases, effectively stabilizing the grazing fees around a true market level. If bid competition is high, bids will bring the price into conformity with true value; if bid interest is lacking, the price is not excessively low.

Alternatives shown in the Review incorporate important practical and factual aspects the IDL and cattlemen should recognize; the principles in those Alternatives are useful. However, we must also

recognize that calculated values are only theoretical estimates that are unlikely to accurately represent real values to individual rangeland parcels and those that use and manage them. The present bid provision, if properly utilized in allocating grazing rights, allows consideration of many other crucial decision-making factors, some of which are necessarily subjective, that determine the true practical market value to interested cattlemen.

To adopt one of the other alternatives, particularly without the bid provision, will, if it results in too high a grazing fee, reduce interest of cattlemen and add administrative costs and increased risk to the State of Idaho, with higher likelihood of reducing net revenue.

Sincerely,

Bob Callihan

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I support retaining the current grazing rate formula over the 4 alternatives that have been outlined in your grazing rate methodology review. It is obvious by your terminology that the baseline rate formula a.k.a. "status quo" is perceived to be inferior to the other options. Frankly, I disagree.

The current model (status quo) is not necessarily inferior given that several predictors (independent variables) in your formula are correlated. High multicollinearity among predictor variables does not prevent good, precise predictions within the scope of the model. If the purpose of your regression equation is to estimate a mean response, which I presume it is, then you don't have to worry much about multicollinearity. A prediction of the Idaho forage value index, (IDFVI) using the current grazing formula will fall within the scope of the model. You should still get a reliable prediction regardless of the correlation that exists between the PPI and FVI indices. Geometrically, the best fitting plane through the responses may tilt from side to side from sample to sample because of the correlation, but the center of the plane (in the scope of the model) won't change much at all; therefore, your mean prediction should not change much by removing the multicollinearity.

The current formula even with its "multicollinearity", has been adequate over the years. A key attribute, not mentioned in the Grazing Rate Methodology Review, is that IDL allows competitive bidding for leases, effectively stabilizing the grazing fees around a real market level. The actual market is far more accurate at reflecting this value than a regression model because a model cannot possibly take into account all the variables, subjective or otherwise, that affect the market price. If bid competition is high, bids will bring the base price into conformity with true value; if bid interest is lacking, then the base price is not excessively low.

At your meeting in Lewiston on July 25, there was no concrete data given as to why IDL is considering other options over the current one. It was noted by IDL staff that Idaho rates are below the surrounding states except Wyoming and my response would be that you are comparing "apples" with "oranges". One rancher suggested this because there are many variables that affect what ranchers are willing to pay for a lease including private substitutes, so making comparisons with other states is not valid unless you take into consideration why the differences might exist.

Another cattleman at the Lewiston meeting on July 25 who leases state land stated that his cash costs to operate on state land are \$16.50 per AUM which is very close to private lease rates. He also stated that this did not cover his time or livestock losses due to depredation mostly from wolves and that if you figure these into the equation, his real cost is closer to \$20 per AUM.

What needs to be recognized here is that calculated values are only hypothetical estimates and are unlikely to accurately represent real values to individual rangeland parcels and those who use and manage them. The present bid provision by IDL allows consideration of many more crucial variables,

some measurable, some subjective that cannot be captured with any of the rate formulas presented. It is the presence of the bid provision that determines the true practical market value of interested cattlemen.

You stated at the meeting that only 5 percent of your leases are conflicted, so that would tell me that your baseline rates are not excessively low. In fact, I would argue that they are very close to market given the lack of bidders. If you adopt one of the alternatives that results in inflated grazing fees, then you will lose interest from cattlemen on some of your allotments. In turn, this will add administrative costs and increased risk to the state of Idaho with higher likelihood of reducing net revenue.

Sincerely,

Bob Smathers

---

I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Sheryl Nuxoll

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Betty Alm

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Maureen Mai

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Sincerely,

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Sincerely,

Chris Dalley

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Sincerely,

Kent Moen

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Barry Sims

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I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Cindy Philps

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I am writing to express my support for retaining the current state lands grazing rate formula.

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Sincerely,

David Philps

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Sincerely,

Margaret Rickabaugh

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Sincerely,

Verland Woempner

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Sincerely,

Carole Rust

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I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Zak Miller

---

I am writing to express my support for retaining the current state lands grazing rate formula.

All that needs be said:

"The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula."

The current system allows for premium bids over and above the base rate.

This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

Unless there is a legitimate reason, don't increase the cost for something.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Susie Patterson

---

I am writing to express my support for retaining the current state lands grazing rate formula.

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Sincerely,

Wayne Hungate

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Sincerely,  
Doug Barrie

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As a current permit holder I have already been cut in both time and number of days on my allotment. Having a fee increase will dramatically affect the price I pay for the forage and feed I desperately need.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,  
Stephen Bagley

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I am writing to express my support for retaining the current state lands grazing rate formula.

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I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Lynnea Christensen

---

I am writing to express my support for retaining the current state lands grazing rate formula.

I can see no reason to change the grazing fees on state land.

Though some claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

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Sincerely,

Christy Zito

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Sincerely,

Paul Shrum

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I am writing to express my support for retaining the current state lands grazing rate formula.

When ranchers walk away from leasing ground it could increase the amount of money the state must spend to maintain the ground. If the ground is not adequately maintained then there is dangerous potential for horrific fires to burn a lot of land. We already see proof of that. The most cost effective way to maintain ground is to keep the ranchers on the ground.

Raising the grazing fees will chase them off because the profit margin to run cows is already small. We cannot afford to increase our cost anymore.

My husband and I are first generation ranchers. We are starting a commercial cow-calf herd all on our own. The biggest road block preventing us from expanding is the competition for land. The prime grazing leases are already leased to ranching families that have generations of ranching and leasing the ground. We can't afford to out bid them because they are established and have money. We can't afford to buy cows, pay on loans for equipment, and bid more for a prime piece of land. So if you raise the grazing fees it makes it even more difficult for us to bid and probably never be able to afford. Then you also increase the chances of losing current ranchers leasing because they aren't going to or are able to pay more. And it was already out of our price range in the first place

Please do not raise the grazing fees.

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Sincerely,

Danyeale Jansen van Beek

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Sincerely,

Joshua Wisniewski

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With this year's abundant moisture the grass growth has been very good. It has been documented that where grazing has taken place the fire danger is much lower. In fact, there is data to verify that ground that has been grazed has stopped and prevented the spread of fire. If the cows do not graze the land who is going to pick up the horrendous fire expenses?

The State Department of Agriculture can verify the value of the cattle industry to the State of Idaho. Do you think this revenue will stay the same or will it decrease by increasing the grazing fees. I think a loss of revenue to the state and many ranchers is the correct assumption.

Please consider the negative results if you raise grazing fees.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Marjorie French

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I am writing to express my support for retaining the current state lands grazing rate formula.

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When I talked with family members about their grazing lease I was surprised how much they already had to pay per animal for just a few months, and also all the hoops they have to jump through just to have a grazing lease. It already seems excessive to me. The costs for raising animals and crops are already so high. It's no wonder our food costs so much already.

Please don't raise the cost of the grazing rate formula. If you need more income I would suggest lowering the salaries of some of the high paid government employees.

Thanks for considering and reading my letter.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

DeAnn B. Waddell

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Sincerely,

Dixie Ashton

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Sincerely,

Oscar Evans

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Sincerely,

Carl and Pam Stout

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Sincerely,

Dale Wolff

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I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

As a small farmer myself, I can attest that any margin of profit we farmer/ranchers make should go to us who take all the risks and provide the laborious oversight of the beneficial use of the land.

If you, as a governmental entity, attempt to control the hand that feeds the public, that hand will no longer be there when the forage is neglected and the people go hungry.

Thank you.  
Rachael Johnson,  
Benewah County, Id.

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I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Rachael Johnson

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

I know some say that the current formula doesn't retrieve the full value of the forage on some state leases, the current system has allowed and currently does allow for premium bids over and above the base rate. This structure has worked well and will continue to be the best option for people to competitively bid more when they think the forage is worth more than the base grazing fee. Less than 5% of the leases receive premium bids, which is a strong indicator that the current fee is already at or above the market value for the forage.

With this being said, the changing of the current formula and raising the grazing fee will not result in more revenues to the state. Our ranchers are striving to be successful and have no control over the the cattle markets. With no control on the markets and a moving market an increase could put hardships upon them forcing them from the lands. We need good stewards of the grazing lands and they need the protection from any unwarranted increases. If the state were to adopt a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Bryan Searle

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We prefer the #1 Status Quo alternatives. It best suits our income (semi retired with limited benefits), is most familiar to our lifestyle and with that of Farm Bureau whom we are insured and trust.

Thanks,

Byron L. and Teresa B. Blakely

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Sincerely,

Tessa Wisniewski

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Sincerely,

Janet Conlin

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I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Dan Elliott

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The current state lands grazing fee formula should not be changed.

As a veterinarian, and farmer, I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. I don't believe that is a good reason to raise the fees. The situations in each state are unique to those states. Wages may be higher, other states may have more productive lands, may provide more services like private leases, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

I believe the current system of calculating grazing fees is fair. The current system allows for competitive bids, takes into consideration rising and falling beef markets and other costs. I urge you to keep the current formula for calculating grazing fees.

Please do not change the current state grazing formula.

Sincerely,

Elizabeth Kohtz, DVM

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The current state lands grazing fee formula should not be changed.

I am writing to share some of my thoughts on the grazing fee formula. First I would like to say that I have enjoyed working with state lands my entire life. I have tended cattle and mended fence on an allotment west of Council for years. A couple of years ago my wife Britney and I scraped enough money to gather to purchase that allotment from the previous operator. Dian Green has been a pleasure to work with. I have always been a big supporter of the state endowment land and highly support the state making money.

My concern is that with my permit there are very hidden costs that will not be included in this new formula.

#1. Although the state dose not get the money and I recognize that. I will be paying over and above for my permits for many years due to the fact that I purchased them from the previous lease holder. Already raising my cost higher than an average private land lease.

#2. Predator and poison plants make our death loss much higher than my other private leases, and must be taken into consideration.

#3. Access is another issue. The cost of maintaining fences in the rough forested terrain as well as checking and garnering the cattle are extremely elevated above my private leases.

#4. Because of the size and difficult terrain of our allotments, we have a lower breed back rate on our cows. We run extra bulls in order to get more coverage, which is another added cost. We also spend more time bunching up the cows in order for them to be exposed to the bulls. When we have cows come in the fall not bred it is like having a factory that is costing money to keep running, but not producing a product.

I have listed a few of my concerns. I hope you will consider these things. My wife, my four little kids and I depend on the land we lease to provide a living. If our cost increases it could severely effect our future in ranching as well as in our community. If you could I would appreciate hearing back from you. If I can help in any way please contact me.

Please do not change the current state grazing formula.

Sincerely,

Cody Chandler

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

Raising the fee will negatively in pack Ranchers. Please retain the current fee base.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Tom Daniel

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

Unlike private grazing allotments, public allotments are not maintained except by the lessors. All water upgrades and fences that maximize the value of the lease are done solely by the lessor.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Darren Taber

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Travis Thompson

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula. Many of the grazing leases are on land that the ranches were using before the state was formed. The best use of the ground is by those that have taken care of it for generations. There are many more expenses using public lands that those that are critics do not see. I feel the current system is fair to those that use the leases.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Kirk Chandler

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I am writing to express my support for retaining the current state lands grazing rate formula.

The current grazing fee formula has worked well for nearly 25 years. The state Department of Lands has provided no legitimate evidence that there is any reason to change the current formula.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to competitively bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

Some things that haven't been considered is when leasing state and BLM ground the lessee has to maintain water and fences unlike private rentals.

I am \$50 per trip to check on livestock, predators both from animals and People are a problem with livestock so far away.. In roughly forty years of running on IDL lands I have rounded up the same number of cattle I turned out only once the rest of the time death loss has been 4% or more.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Gary Judge President Bingham Co Farm Bureau and IDL leasee

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I am writing to express my support for retaining the current state lands grazing rate formula.

As an Idaho rancher we graze cattle on state lands, therefore any discussion of changing the current fee formula catches my attention. I believe the current formula has worked very well for a very long time. Like agriculture, nothing is consistently stable and the current formula allows for the ups and downs of the markets in both forage and the livestock that graze the land. An increase in the fee may in fact result in less revenue for the state. As a rancher I can attest to the fact that not all grazing land is equal and for much of the state lands, an increase in fees may create a situation in which it is no longer economically justifiable to lease. We currently graze on some very marginal ground and I can assure you that we would not be inclined to continue the lease should we face significant fee increases. Thank you for your consideration in this matter.

I urge you to keep the current grazing formula which has proven to be effective for nearly 25 years.

Sincerely,

Dwight Little

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely,

Travis mcaffee

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely,

Bruce Winegar

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher

fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely,

Luke Pearce

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The current state lands grazing fee formula should not be changed.

I believe the the current rate should be retained. We should not be greedy when it comes to our own just because states around us and some EPA says so. I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely, Sandra Daniel

Sandra Daniel

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

The last thing we want to do is drive grazers off the land, which will create more fire hazard.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely,

John Kellogg

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The current state lands grazing fee formula should not be changed.

I am surprised to hear that IDL personnel are actively advocating for increasing the state grazing fee. I do not have any state land leased, but have friends that do.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There are some lessees who will not be able to pay higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

I believe the present formula adequately compensates the state for this resource and helps protect lessees from huge swings in grazing rates from year to year. Most cattle operations are cash poor, so even a small increase in fees may force some lessees out of business.

Please do not change the current state grazing formula.

Sincerely,

Mike Shoemaker

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Dear Jason Laney,

Please don't raise the grazing rates on state lands.

Sincerely,  
Julie Araquistain

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely,

Liz Wood

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Rick Brune

The current system should be continued.

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Raising the grazing fees will surely put the cattle industry in dire straits. There isn't much profit at this time anyway. And with expenses rising, cattlemen will reduce the numbers in their herds. Then we will all be buying foreign meat.

Please do not change the current state grazing formula.

Sincerely,

Jeanne Arnzen

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Ron Ford

The grazing leases need to stay the way they are. Here are a few reasons why. 1. The state and federal grasses do not have the same value as private grasses. That is why they are private. The homesteaders settled on the best Soil. 2. If you factor in all of the cost incurred in running cattle on State Land, you will find that the cost to the rancher is almost the same. The reason for this is. a. Normal death loss b. Predator death loss c. weight gain d. pregnancy rate e. Fencing f. Salting g. Travel expense h. The cost of running more bulls These are just a few of the hidden costs that most people don't see or understand. Therefore I would strongly recommend that you leave the grazing fee the way it is currently. Thank You  
Ron Ford

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The current formula used for grazing fees allows the state to achieve fair market forage values on state grazing leases. The formula has worked as intended over the past 25 years, rising and falling with cycles in the beef market and other production costs. The current system also allows for competitive bids, ensuring those parcels which are more valuable command higher fees, while those that are less valuable are not priced out of the market.

I respectfully request the current formula remain in effect with no increase in grazing fees.

Thank you for your time,

Sincerely,  
John Richard

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**Grazing Rate Methodology -Review Comment Form**

**First Name:** Scott    **Last Name:** Henderson

**Organization represented at this address:** Cottonwood Grazing

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Which alternative do you support? (Please defer to IDL's Grazing Rate Methodology Review Document for more information on the proposed alternatives.)

#1- Status Quo (we choose this option)

#2- Revised Status Quo

#3- Calf Crop Share

#4- Montana Model

Comments:

Cottonwood Grazing has placed 3 wells on leased ground at the cost of \$60,000.00. We have ease of cattle movement with private ground that is run in common with state lands. Cottonwood Grazing has 25 watering troughs that were put in and are maintained by Cottonwood Grazing. There is 10 miles of fence placed and maintained by Cottonwood Grazing. We state tag all of our cattle. We have a paid range rider that is in place all summer to adhere to state mandates of cattle movement and range management, and an additional set of eyes for the state. Cottonwood Grazing has sprayed and stopped the spread of Leafy Spurge. Since taking the lease on state land the Cottonwood block of the state ground has no water. The primary source of water is on private ground that is run in common with state lands. It is felt that we should not have to pay the same fee as absent lessee's that turn cattle out in the summer and return in the fall , never improving leased state lands ----- Thank you Scott Henderson – Cottonwood Grazing

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Kirk Chandler

I am one of the Washington Co. Commissioners. I have been contacted by several of the ranchers in our county that are very concerned about proposed adjustments of the State grazing formula to raise the grazing fees. The county is concerned about the economic impact it will have on the residents of our county. Several of the ranchers have said that they will cut back their numbers and quit leasing the State lands. In most cases those State lands are intermingled with their federal and private lands and are not fenced. If they don't lease them the State will either have to fence them off of it, or not receive money for those leases. It will impact the residence of the county because the assessed value of their land is determined by the production costs and sale of their products. Our values on the ranchers land could go down, that would effect all taxpayers in our county. I would urge you to consider the down side as well as the up side. There could be consequences to the raising the state land lease rates that could back fire on the state. The ranchers have expressed the cost involved in leasing state lands are high because they, in many cases have purchased the lease from the former land owner and then they provide management, fencing, water, and other expenses when the lease state lands. They have estimated their costs at \$13-\$18/AUM on state lands which in many cases is higher than private leases. Thank you Commissioner Kirk Chandler

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Thank you, I am the chairman of the Washington county commissioners and I have had quite a few of the ranchers in my county contact me regarding the changing of the grazing formula. They are worried that an increase in the fees will cause them financial hardship. That will cause a hard ship on the county, because the assessed value of the land in the county is based on the costs to produce and the price the ranchers received for their cattle. They have said that they provide the management on those lands, fencing, water repairs, ect. They have said that state lands cost them from \$13- 16 dollars an AUM. That is in line with private leases, in some cases it is more. They have also said that in most cases the state lands are intermingled with federal and private lands and aren't fenced. They said that if the price goes up they will more that likely not continue to lease that land from the state. That will leave the state with no revenue from those lands that are not fenced and can't be leased by anyone else due to trespass issue. One example is a rancher from the west side of the state out bid on a piece in eastern Idaho and put cattle on the ground, they went onto federal ground, were trespassed and he had to move them off because with no fences he couldn't keep the on the state land. He brought them home. As a commissioner I would urge the land board to consider the financial down side and consequences to raising the rates. A couple of the ranchers I have talked to feel that what they are paying is to high for the quality of part of the grounds they lease from the state. Thank you and please forward this to those that are dealing with this issue.

Commissioner Kirk Chandler

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The current state lands grazing fee formula should not be changed.

Many cattlemen may not be able to afford an increase and therefore have to cut down on their herds. That will effectively lower their income.

Agriculture as a whole is in a precarious position right now. With many cattlemen also farming, an increase will be very difficult for them to pay. The inputs for farming grain etc. have increased and the prices received have really decreased, therefore I really hope that you will consider continuing the current rate.

Thank you very much for your consideration!

Please do not change the current state grazing formula.

Sincerely,

Charlotte DeArmond

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The current formula used for grazing fees allows the state to achieve fair market forage values on state grazing leases. The formula has worked as intended over the past 25 years, rising and falling with cycles in the beef market and other production costs. The current system also allows for competitive bids, ensuring those parcels which are more valuable command higher fees, while those that are less valuable are not priced out of the market.

I respectfully request the current formula remain in effect with no increase in grazing fees.

Thank you for your time,

sincerely,

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The current state lands grazing fee formula should not be changed.

I was surprised to hear that IDL personnel were actively advocating for increasing the state grazing fee at the information meetings held around the state.

They were claiming that the current formula doesn't charge enough for grazing on state lands because some surrounding states charge more. That is not a good reason to raise the fees. In addition, this is comparing apples to oranges since other states may have more productive lands, may provide more services like private leases generally do, may have more water or fewer predators or many other factors that can affect prices a great deal.

The information provided on your website indicates that the state will receive more money simply by raising the grazing fees. This may not be true. There will be some lessees who will not pay any higher fees on some parcels that are already marginal under the current formula. The state could very easily receive less money if they get greedy and raise fees beyond what the forage is worth.

Please do not change the current state grazing formula.

Sincerely,

Felix Nuxoll

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I support the current grazing fee rate for all the reasons set forth by the IFBF. We (LU Ranching Co.) run on remote and rough country that requires a lot of labor maintaining fences and riding. Our cost per AUM above the grazing fee range from \$18 to over \$20 depending on the year. The BLM is a minority land owner in the allotment but is the main manager of it and we do the photo monitoring for the State. The State spends very little for management. We do not believe that increasing the fee is warranted.

Thank you for your time,

Sincerely,  
Tim Lowry

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Do not change the current grazing fee formula.

Thank you for your time,

Sincerely,  
Meckenzie Miller

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Please do not change the current grazing formula. As I visit with ranchers throughout Idaho, I am consistently hearing how devastating it will be if grazing fees on state lands were to increase above and beyond what the current formula allows.  
Thank you.

Thank you for your time,

Sincerely,  
Brody Miller

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I have heard that our state land leases could see a price increase of 4 to 5 dollars an AUM. Is this true? If so that would be hard to handle with current costs when you factor in fencing, death loss, and conception rates versus paying 18\$ AUM on private ground when there is no work load. BLM and forest service are both less then 2\$ AUM so 8\$ we are paying seems more then enough. I appreciate IDL listening to my concerns and I know I speak for others as well that are not aware.

Thanks  
Joe Iveson

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To Whom It May Concern,

I am Rebecca Dredge-Sweers, the Secretary/Treasurer for the Idaho Citizens Grazing Association (ICGA). Currently the ICGA is the biggest lessee of the Idaho Department of lands; leasing 25,284 AUMS, this is between both leases and 81,030 acres.

Alternative 1: Formula 19 (Status Quo) is the formula that needs to remain constituted for these reasons:

-the 2017 AUM rate is \$9.01/AUM, the Forrest Service rate is \$1.87/AUM, that is a \$7.14 difference

-the ICGA has done many, major improvements on the state lands over the years; water improvements (implementing solar systems), fencing improvements/projects, sage brush spraying and management, just to name a few. For the past several years, the state has not compensated the ICGA for those/these improvements therefore, those/these improvements are 100 percent the ICGA's and if formulas are going to change/increase the state will need to buy those/these improvements from the ICGA

A couple of questions for you;

-where is the diminishing return for the ranchers going to be

-if the leases increase too much and/or get too expensive it is possible these leases would be turned back to the state and then what

-at the meeting it was talked about land that the state has consolidated, some of these pieces are "school sections" these particular pieces can not be managed individually, how can those pieces be managed and maintained as they need to be

Again, Alternative 1: Formula 19 (Status Quo) is where the formula needs to stay at.

Thank you for your time.

Sincerely,

Rebecca Dredge-Sweers

Secretary/Treasurer, Idaho Citizens Grazing Association

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George Bennett

Grazing Rate Methodology Review Comments I support Alternative #1 - Status Quo for the following reasons: 1. Although cattle prices have been higher the past three years, this year the prices are leveling and going down. I realize that the lease rate is two years behind the current rates and I am alright with that. This last years lease should reflect the higher cattle price two years ago, as should the next 2018 lease but I feel an increase such as you are suggesting is not reflective of future prices. To raise the Base Value would be a hardship to the ranchers and lease holders. 2. Private lease rates should not enter into the equation. State leases require much more work to maintain. We take our cattle to the range-maintain all the fencing ( several times during the summer because of the elk plowing through the fences); take salt out ; maintain water resources; monitor the usage of the range and move the cattle. We gather them

in the fall and have to ride several times to find the strays. At the end of the fall to early winter, we hire an airplane or a helicopter to fly over the range to find the last ones. Private pasture use is understandably higher because the owner usually maintains the fences furnishes salt and maintains the water throughout the season. Private pastures are usually irrigated which keeps the rate of foliage growing throughout the season. To compare private pastures to State range is like comparing the city of Boise to Grand View. Sometimes services are there but quality and quantity is not. 3. Idaho is not Wyoming or Montana. Each state has it's particular ecosystems and to adopt standards from either one is not equitable. Again, as above, this is like comparing Boise to Grand View. 4. The average age of ranchers and holders of State Land Leases is above 60 years. As managers of State Lands you should consider that raising lease rates is creating a hardship for the younger people who would like to be the future ranchers. They do not have the finances to go into the ranching industry. As the existing ranchers retire or die, who will be in like to manage these leases? 5. The tourists and people from the metropolitan areas who come out on the weekends to recreate and go back leaving trash and possible fire starts do not pay anything, yet they seem to be the ones who are dictating these lease raises. They do not respect the wildlife or the resources. You must consider the future - not just the economics, but the land itself. Thank you George Bennett

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To whom it may concern,

I would like to comment on the IDL grazing rate review. I have been in several meetings where Idl has suggested that they would like to have grazing rates raised to be more in line with private lease rates. I think IDL is looking at this through rose colored glasses. The state land is not worth what a private lease is. I have attached a picture that makes my point. The picture is of a gate that has been thrown back to let cattle deliberately out and mix with another owners cattle. It is a constant problem on public ground it costs more time and money to manage public and state ground because you can't keep the public out. A private landowner can put time and money into improvements on his own land and know that he added value to the property that will pay long term benefits. That is not true on state land you can make improvements but you don't own them and they are on a depretation schedule that reduces their value every year. Your under the constant threat of losing your lease when it comes up for renewal because of IDL conflict bid process that encourages hate and discontent between landowners and makes for constant turmoil. The conflict bid process needs to be reviewed as well in my opinion.

I would like to recommend IDL stick with the current formula that is in place now. I believe it is labeled alternative 1. I feel it is a fair value to the State of Idaho and is tied to market value of Livestock and the base rate established by the BLM of 1.70 I believe. It cost more to operate on State land than is reflected in the fees charged by the state for the use of the land.

Thank you,

Matt Thompson  
Thompson Livestock

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Mark Pratt

We feel the method used in the past has been adequate for overall stability of the industry and the resource. We spray brush, install and maintain fencing for rotational grazing, and put in water developments including drilling wells on our state allotments at our own cost, which makes up the difference between market rates and the state lease rate. Also, our main competition are federal leases which are well below the state lease rate. In addition, we paid an up-front bid price on one lease that increased the cost substantially. It was an outlier case in our opinion, however, and unique in its attractiveness to us and the operation we bid against. That said, we would endorse Alternative #2 because it is easier to figure and allows for a slight increase, which we feel is fair.

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Idaho Department of Lands—

This is a response to the state of Idaho's state lands grazing fee. My name is Henry Etcheverry and I am presently president of Idaho Citizens Grazing Association. As I'm sure you are aware, our association is the largest lessee of state endowment lands. With that said, a higher grazing fee with a different formula would put more financial stress on our membership in an already tenuous livestock business (i.e. inconsistent markets, winter feed costs, etc).

The present state rate is much higher than similar federal lands, such as the BLM and Forest Service. The state needs to be more inline with grazing "across the fence." If these state grazing fees get too excessive, stockmen will give up their leases; as a result, state revenue is heavily reduced. It should be noted our association has privately improved the grazing landscape with water development, spraying brush and noxious weeds, fencing, etc. Most stockmen are good stewards of the land and take great pride in the health of the rangelands.

As a private individual, if the grazing fee gets much higher, I may turn back seven sections I have on the desert and three by and among lands of the Caribou National Forest. I value the state sections that I have, but I have plenty of BLM AUM's without the desert state sections and my forest permits are large enough to adequately graze my sheep herds in the summer months.

I sincerely hope you will consider these concerns and request.

Thank you,

Henry Etcheverry  
Idaho Citizens Grazing Association  
Etcheverry Sheep Company

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John Peterson

We graze sheep on the Packer John Allotment. There is a need to classify allotments relative to grazing value and IDL priorities. eg. Is the allotment logged or is it grazing only? Is there heavy recreational use? We graze DF Development Lands (formerly Potlatch) and Hoff Lumber Lands and these lands are closed to the public which increases their usability and value greatly. I don't believe it would be possible to close the Endowment Lands to the public but should be a factor in determining value. Another concern on how the Endowment Lands are classified is wolf depredation of livestock. The Idaho Fish and Game allows us to take preemptive action against wolves in areas where we have had a history of wolf killing livestock, if it is not public land. The IDFG considers Endowment Land as public lands and will not allow preemptive measures. This reduces the value of these lands versus private property. JRP

---

Robert Ball

After a review of the alternatives presented to the board. We support alternative #1. If State lease rates increase too dramatically some marginal leases may be let back which would decrease state revenue.

---

Idaho Department of Lands

Submitted via email:comments@idl.idaho.gov

Comments in response to proposed State Land grazing lease increase:

After reviewing the Grazing Rates Methodology Analysis, it is apparent that the State Land Department is using the scientific approach for the grazing fee. These formulas leave out some basic factors that need to be considered before the evaluators make the final decision on the grazing rates.

Our family has been in the ranching business in Idaho since 1915, leasing state land for years and years. We currently lease approximately 14,000 acres of State land yearly. These acres are mostly surrounded by either private land without public access, U.S. Forest lands or BLM land. This land is our livelihood so we take care of it to the best of our ability. If we cannot afford to lease this land the state potentially will lose several thousands of dollars in revenue. Not only do we pay an annual rent, we have the cost of the original lease. If the rates are more than we can justify paying, the State would have to fence off all of these parcels of land. Who will want to lease them without controlling the surrounding acres and in the case of inholdings surrounded by private land, without access? We believe the IDL analysis fails to consider these questions.

These leases are only good for 10 or 20 years, or less and you can be outbid or canceled at this time. Therefore it is difficult to make major improvements or count on a long term range management program.

We manage all the lands we graze on with a grazing policy to help prevent fires and to keep them controllable. In the event of a fire, we are the first responders and a lot of times have it stopped before it gets out of control. This needs to be considered.

Trying to compare state land leases to private property to figure a lease price isn't realistic in the fact that private property usually comes with water, fences and better forage. The process IDL used to determine rate formulas ignored this difference. A majority of state leases are far more similar to Federal surrounding lands, and in fact are often managed as a portion of those federal land permits. It would be far more realistic for IDL to utilize the federal land fee when considering grazing lease rates on state lands.

As a long-standing ranching family in Idaho, we take great pride in caring for our animals and the resources that they depend on, as well as providing revenues to the state for the endowments. We plan to continue doing these things into future generations and believe that state lands play an important part in making that happen. We strongly recommend IDL take a second look at this process and go back to the table to further analyze these components into the formula.

L. G. Davison & Sons, Inc.

*W. G. Davison Vice Pres.*

*8-31-2017*

Helmick Ranch  
Neil & Sandy Helmick

August 31, 2017

Director Tom Schultz  
Idaho Department of Lands  
300 N 6<sup>th</sup> Street, Suite 103  
PO Box 83720  
Boise, ID 83720

*Sent electronically to: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)*

Dear Director Schultz,

Thank you for the opportunity to participate in the grazing rate review process. I attended the regional meeting in Nampa on July 27, these written comments are in addition to the verbal comments I provided at that meeting.

First, IDL including the Montana alternative in its analysis undermines the entire public process. Valuable information and discuss occurred during the advisory group process and it is critical that the Montana alternative receive the same level of analysis.

The current formula has done an adequate job of tying the grazing rate to market conditions, and has provided a level of predictability that is important for our budgeting process. Any change must likewise offer stability to IDL, state endowments and to the lessees.

As ranchers in the west, we value our livestock and other resources including the lands and therefor care for them in a manner that we believe is best for the continuation of our operations. Not only do we provide vegetation management, decreasing the fine fuel loading on endowment lands, we also bear many costs of managing state lands. While the current rate is set at \$6.46, the added costs that we provide in caring for endowment land is vastly higher. These costs include fuels management, weed control, range improvement maintenance, active presence and more. These factors must be considered by IDL when considering a new formula, as well as when explaining the existing one.

All of the alternatives lack any reference to the federal land rate. The vegetative makeup, topography, and accessibility of endowment lands are much more similar to federal lands than they are the private land leases. Every alternative (with the exception of alternative 4) weighs heavily on the private land lease rate. I question the accuracy of this rate, as all solicitations for information on private lease rates are voluntary. This is unlike the federal land rate, which is a known amount each year. In addition, while there are many similarities between state and federal grazing leases, there are vast differences between these types of leases and private land leases, including the type of land and land value, along with the amount of fencing, water and management included. Further, private leases typically have shorter terms than state leases or federal grazing permits. IDL does not have the efficiencies allowed in the private sector,

especially in the cost of lease renewal. Long-term leases are an effective way for IDL to net more revenue by limiting the expensive elements of the grazing program. It is therefore an inaccurate representation of the market to base state rates so heavily on private rates. It is critical that IDL take this into perspective in the acceptance of any rate formula. I strongly encourage IDL go back to the table and rework an alternative to include the federal land rate, and exclude the private lease rate.

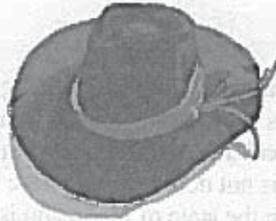
Because of these things, we request that IDL not change the existing formula or rate until further analysis has been completed to more adequately portray the difference in endowment and private land leases as well as lessee contribution.

The Helmick ranch is also a member of Idaho Cattle Association and support any comments submitted by the ICA.

Thank you for considering these comments,

Neil & Sandy Helmick

*Sandra R. Helmick*



DEPT. OF LANDS  
2017 AUG 31 AM 9:40  
BOISE, IDAHO

Chipmunk Grazing Assn., Inc  
P.O. Box 175  
Marsing, ID. 83639

Tom Schultz  
Director, Grazing Lands Subcommittee  
Idaho Department of Lands  
P.O. Box 83720  
Boise, ID 83720-0050

August 25, 2017

**Chipmunk Grazing Association – Comment RE:  
Idaho Department of Lands, Grazing Rate Methodology Review**

As a significant lessee of State Grazing lands; Chipmunk Grazing Association offers the following comment for your consideration in the above action.

This comment addresses alternatives 1-5 as described on pages 2 and 3 of the Grazing Rate Methodology Review is brief and somewhat confusing. None the less, this comment is directed to the alternatives described on pages 2 & 3 and numbered 1-5. The lack of explanation of the methodologies and specific data used to establish the various index values is a concern.

**Status Quo, Alternative 1:** The statistical flaws in this method make it unacceptable. As described in the **Grazing Rate Methodology Review** the (current) methodology does not meet the established Evaluation Criteria that the methodology be; fair & predictable, transparent practical and efficient to administer, defensible and consistent with fiduciary responsibilities.

**Revised Status Quo, Alternatives 2:** We agree with the recommendation of Dr. Rimbe as to removal of all west-wide data and particularly the 11 western states PPI and FVI from the old formula. This would be a significant correction to the existing Status Quo method. Accordingly, we believe Alternatives 2 is most directly related to actual and relevant forage values in Idaho and meets the Evaluation Criteria objectives to achieve state fiduciary responsibilities, is defensible, fosters long-term sustainability, is highly transparent and represents a fair predictable process.

**Revised Status Quo, Alternatives 3:** The information for the Grazing Rate Methodology Review does not provide any justification for increasing the \$1.70 Status Quo base value to \$2.00 in Alternative 3. Given the apparent cutbacks in IDL involvement in management and range improvement efforts and consequent shift of such effort to the lessee there is no justification for the increased base value. Until a rational and valid justification can be provided we oppose any increase in the base value and therefore we find Alternative 2 to be the only acceptable alternative for a state grazing fee formula.

**Calf Crop Share, Alternative 4:** We strongly oppose Alternative 4 because it inserts the state of Idaho into our ranch operations as a partner with an entitlement to a portion of the annual production of our ranch operations. The production from our ranch operation is not simply a reflection of any state lease we may hold but is a product of our management of livestock on the private lands that we own or lease and the lands for which we may hold a public land grazing permit.

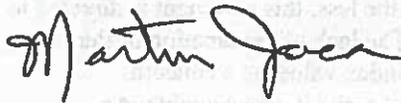
The economic viability of ranch operations depends on management of the ranch as a whole and the market forces that determine costs and returns. Fluctuation in cattle prices does not entitle the state to any part of that increase beyond the effect of market supply and demand on Idaho forage values. Furthermore, this alternative is not defensible because it does not depend on or even consider the market value of forage in the state of Idaho and is a complicated opaque process. Basin grazing fees on market information that is unrelated to forage value cannot be considered a fair treatment of both parties.

**Montana Model, Alternative 5:** We are adamantly opposed to any lease rate calculation method based on another states formula. There are significant circumstance differences including the relative amount, intermingled distribution of private, state and federal land as well as potential productivity of intermingled land ownerships in Montana or any other western state. The relationship of those lands to viable economic management of private ranches among states is not reliably indicative of circumstances in Idaho.

Alternative 5 relies heavily on a Beef Cattle Price index which is a product of beef supply and demand that has no direct or timely relationship to actual forage value. The wide annual fluctuation of lease rates resulting from wide swings in the BCPI does not directly reflect forage value, is neither fair nor predictable and is not conducive to optimum resource management of long-term sustainability. Furthermore, this approach again inserts the state into a ranch operation as an entitlement partner with no commensurate responsibility for management and range development that foster efficient sustained productivity.

We find Alternative 2 to be the only acceptable proposal.

Sincerely,



Martin Jaca, President  
Chipmunk Grazing Association Inc

Grazing Rate Methodology Review – Comment Form

PLEASE PRINT

Loren  
(First Name)

Owensby  
(Last Name)

Rancher  
(Occupation)

Mason Butte Cattle Association  
(Organization represented and Address)

Which alternative do you support? (Please refer to IDL's Grazing Rate Methodology Review Document for more information on the proposed alternatives)

- #1 – Status Quo
- #2 – Revised Status Quo; \$1.70 Base Value
- #3 – Revised Status Quo; \$2.00 Base Value
- #4 – Calf Crop Share
- #5 – Montana Model

DEPT. OF LANDS  
2017 AUG 31 AM 9:40  
BOISE, IDAHO

Please write your comments in the space provided below and either provide this form to an IDL representative at this meeting or submit your comment via:

MAIL:  
IDAHO DEPARTMENT OF LANDS  
ATTN: JASON LANEY  
P.O. BOX 83720  
BOISE, ID 83720-0050

ONLINE: <https://www.idl.idaho.gov/comment.html>

EMAIL: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

Comments due by **September 1<sup>st</sup>, 2017**

Dear Sirs,

Idaho's Endowment lands are extremely different between North and South. The lands that we graze are timber lands that only have grass as a byproduct of harvesting the timber. Our management costs (including a hired rider, extensive fencing, and higher losses) make it difficult to consider a significant fee increase. While it is possible that some State leases could be based on private

(continued on reverse)

notes, there are significant differences (i.e. higher volume of feed per acre, better access, fencing, lower losses, management on private land.)

Because of these reasons, I believe that a small rate increase will probably be absorbed by the cattlemen of this area but that a sizeable increase will cause some of us to seriously consider whether we would be better off without a State lease. A possible way to help ease this problem would be for the Department to figure out ways to lower their management costs, which in 2016 were over half of the income. As was stated previously, the forage we utilize is a byproduct of the timber industry, and therefore cannot be expected to meet the proposed benchmark figures. Thank you very much for your consideration,

Loren Cumbey for MBCA

**Grazing Rate Methodology Review – Comment Form**

PLEASE PRINT

Jeff (First Name)      Stanford (Last Name)      [Redacted] (Phone)  
[Redacted] (Street)      [Redacted] (Street)  
Rancher (Occupation)      L S Cattle (Organization represented and Address)

Which alternative do you support? (Please refer to IDL's Grazing Rate Methodology Review Document for more information on the proposed alternatives)

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- #2 – Revised Status Quo; \$1.70 Base Value
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DEPT. OF LANDS  
2017 AUG 31 AM 9:39  
BOISE, IDAHO

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P.O. BOX 83720  
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**EMAIL:** [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

Comments are due **September 1<sup>st</sup>, 2017**

uses rates within our state of Idaho

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(continued on reverse)

**Grazing Rate Methodology Review – Comment Form**

PLEASE PRINT

Dennis (First Name)      Stonford (Last Name)      [Redacted] (Phone)  
[Redacted] (Address)      [Redacted] (Street)      [Redacted] (City and State)  
Rancher (Occupation)      06 Livestock (Organization represented and Address)

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DEPT. OF LANDS  
2017 AUG 31 AM 9:30  
BOISE, IDAHO

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P.O. BOX 83720  
BOISE, ID 83720-0050

**ONLINE:** <https://www.idl.idaho.gov/comment.html>

**EMAIL:** [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

Comments are due **September 1<sup>st</sup>, 2017**

This Methodology will provide a good revenue and is based on rates within our state

(continued on reverse)

Grazing Rate Methodology Review – Comment Form

PLEASE PRINT

Mike (First Name)      Stanford (Last Name)      [Redacted] (Phone)  
[Redacted] (Address)      [Redacted] (Street)      [Redacted] (City and State)      [Redacted] (Zip)  
Rancher (Occupation)      Glens Ferry Grazing Assn. (Organization represented and Address)

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DEPT. OF LANDS  
2017 AUG 31 AM 9:39  
BOISE, IDAHO

Comments are due **September 1<sup>st</sup>, 2017**

reasonable revenues using rate  
within our area

(continued on reverse)

**Grazing Rate Methodology Review – Comment Form**

PLEASE PRINT

Tim R Miller  
(First Name) (Last Name) [Redacted] [Redacted] [Redacted]  
[Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]  
(Street) (City and State)  
Rancher [Redacted]  
(Occupation) (Organization represented and Address)

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EMAIL: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

Comments are due **September 1<sup>st</sup>, 2017**

I have 3 State Land Leases which comprise of a significant number of acres. The grass and terrain is more comparable to the BLM land than any private. We are fifth generation ranchers and have cared for and improved the land and continue to pay annually for our lease. We would like to be able to re-new at 20 years. Thanks for your consideration.  
Tim Miller 8/29/17

DEPT. OF LANDS  
2017 AUG 31 AM 9:41  
BOISE, IDAHO

**Grazing Rate Methodology Review – Comment Form**

PLEASE PRINT

Stephen J. Miller \_\_\_\_\_ (Phone)  
 (First Name) (Last Name)  
 \_\_\_\_\_ (Address) \_\_\_\_\_ (Street) \_\_\_\_\_ (City and State)  
 President. Miller Land Co, Inc Box 59 Melba, ID 83641  
 (Occupation) (Organization represented and Address)

Which alternative do you support? (Please refer to IDL's Grazing Rate Methodology Review Document for more information on the proposed alternatives)

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 BOISE, ID 83720-0050

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**EMAIL:** [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

DEPT. OF LANDS  
 2017 AUG 31 AM 9:41  
 BOISE, IDAHO

Comments are due **September 1<sup>st</sup>, 2017.**

I would have liked to have seen a percentage annual  
 increase cap of about 8% also considered. IT IS  
 sometimes hard to plan expenses when large  
 increases of grazing fees occur each year.

(continued on reverse)

**Grazing Rate Methodology Review – Comment Form**

PLEASE PRINT

Chipmunk Grazing Assoc. Inc.

[Redacted]

(Address)

(Street)

(City and State)

[Redacted]

(Occupation)

Martin J. [Redacted] President.  
CGA PO Box 175 Moring

(Organization represented and Address)

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DEPT. OF LANDS  
2017 AUG 31 AM 9:40  
BOISE, IDAHO

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P.O. BOX 83720  
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**EMAIL:** [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

Comments are due **September 1<sup>st</sup>, 2017**

Please see comments in letter sent seperately.

Thanks, Gwen Miller

[Empty lines for comments]

(continued on reverse)

Comments in response to proposed State Land grazing lease increase:

Bob Baker, Danskin Cattle, LLC

8/31/17 DEPT. OF LANDS  
2017 SEP -1 PM 1:32  
BOISE, IDAHO

It appears the State Land Department has taken a very scientific approach to adjusting the grazing fee. However, those formulas don't appear to take into consideration the non-quantifiable costs of leasing State land. I will list some of those costs below in the hope your evaluators will consider them before deciding on a proper and legally justifiable rate.

1: There is great uncertainty created by the 10 year lease term with the potential that the lessee might have to bid again for an ensuing 10 year term with no preference given the current leaseholder. It is difficult to justify making improvements to the land or to employ long term range management practices when the lease can be lost with only the appraised value of the improvements compensated.

2: The comparison of lease rates to private leases is often like comparing apples to oranges. The private lands were usually lands settled by homesteaders because they were the most productive, had the best water, best location or most easily improved. The State lands were given to the states by the Federal Government at random (usually section 16 and 36) from an inventory of non-homesteaded lands usually rejected by homesteaders for the above reasons. The private lands in most instances justify higher rates because of their higher productivity.

4: No consideration is given to the fire prevention and protection given by the lessee who often is the first responder to a fire and stops it before it gets out of control. The state cannot provide that response and it is worth something in the formula.

5: Often State owned grazing lands are isolated parcels of varying sizes surrounded by BLM or USFS land which taken together comprise a grazing allotment. Presently the lease rates charged by the State are substantially higher than the Federal grazing permits. Should the State raise the fees to what is considered uneconomic levels, forcing the grazing permittee on the surrounding lands to decline to lease the State parcels, the management of the State in-holdings could become very difficult, especially when the boundaries are not fenced from the adjoining Federal lands.

6: Stability and predictability of grazing lands are the keys to building and maintaining a successful livestock operation. The increasing social pressures to raise rates and remove livestock from the rangeland will likely result in fewer ranchers who are truly dedicated land stewards and who are committed to caring for and improving the resource wanting to lease the State lands. The long term result will likely be a decline in the quality and productivity of the resource and not satisfy the Constitutional mandate to care for this valuable resource and revenue source to the State.

7: Vacant and unleased State lands produce no income. I doubt those who are advocating removal of livestock grazing through fee increases would be willing to reimburse the State for the lost revenues should the State lands become unattractive to grazing lessees. The State Land Board should take a long term view of the program and not be driven by immediate pressures to raise rates. Grass is a renewable resource, but must be cared for properly. Reasonable use rates are justified and the lessees will be good stewards. If the costs become uneconomic to the lessee, the State runs the risk of putting that resource either in jeopardy of mis-use or no use at all.

DANSKIN CATTLE, LLC  
Bob Baker

August 1, 2017

Dear Mr. Laney:

I am sending you this letter in regards to keeping the current state lands grazing rate formula the same.

What is currently in place has worked for over two decades. I do not believe there is a legitimate reason to change the current formula.

There may be some people who say the formula is out dated and needs to change but they probably don't understand that the current system does allow for premium bids over and above the base rate depending on the year and condition of the forage. This doesn't happen often suggesting that the current system is fair and balanced.

I oppose changing the formula and raising the grazing fee. I stand by the current formula.

Sincerely,

*Dolly Hancock*  
*Farmer/Rancher*

DEPT. OF LANDS  
2017 AUG 21 PM 12:31  
BOISE, IDAHO

August 1, 2017

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Sincerely,

*Dois Mortimer*

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BOISE, IDAHO

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Sincerely,

*Marcene M. Ferguson*

DEPT. OF LANDS  
2017 AUG 21 PM 12:31  
BOISE, IDAHO

August 1, 2017

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Sincerely,

*Danny Ferguson*  
*Cattle Producer in Jefferson County*

DEPT. OF LANDS  
2017 AUG 21 PM 12:31  
BOISE, IDAHO

August 1, 2017

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Sincerely,

*Sharon H. Moser*



DEPT. OF LANDS  
2017 AUG 21 PM 12:31  
BOISE, IDAHO

August 1, 2017

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Sincerely,



DEPT. OF LANDS  
2017 AUG 21 PM 12:31  
BOISE, IDAHO

Grazing Rate Methodology Review – Comment Form

PLEASE PRINT

Tom (First Name)      Rich (Last Name)      [Redacted]

[Redacted] (Address)      [Redacted] (Street)      [Redacted] (City and State)

[Redacted] (Occupation)      Rich Livestock Co. & Eastern Idaho Grazing (Organization represented and Address)

Which alternative do you support? (Please refer to IDL's Grazing Rate Methodology Review Document for more information on the proposed alternatives)

- #1 – Status Quo
- #2 – Revised Status Quo; \$1.70 Base Value
- #3 – Revised Status Quo; \$2.00 Base Value
- #4 – Calf Crop Share
- #5 – Montana Model

Please write your comments in the space provided below and either provide this form to an IDL representative at this meeting or submit your comment via:

MAIL:  
 IDAHO DEPARTMENT OF LANDS  
 ATTN: JASON LANEY  
 P.O. BOX 83720  
 BOISE, ID 83720-0050

ONLINE: <https://www.idl.idaho.gov/comment.html>

EMAIL: [comments@idl.idaho.gov](mailto:comments@idl.idaho.gov)

DEPT. OF LANDS  
 2017 AUG 16 AM 8:58  
 BOISE, IDAHO

Comments due by **September 1<sup>st</sup>, 2017**

*I, we understand the fiduciary duty of the Land Board and state Land Department. We also know that everyone has been going over this problem for at least 10 years. If the price on state leases get to high the lesser of the leases and the ones surrounded by private land could be turned back for a net loss to the state. That being said, I know the Land Department will make the best decision for all parties,*

July 21, 2017

Idaho Department of Lands  
ATTN: Jason Laney  
300 N. 6th St. Suite 103  
Boise, ID 83702

Dear Mr. Laney:

I am writing to express my support for retaining the current state lands grazing rate formula.

The current formula has worked well for nearly 25 years. I do not believe there is a legitimate reason to change the current formula.

Although some critics may claim that the current formula doesn't capture the full value of the forage on some state leases, the current system does allow for premium bids over and above the base rate. This provides a way for people to willingly bid more when they think the forage is worth more than the base grazing fee. Very few of the state leases receive premium bids, which is a very good indicator that the current fee is already at or above the market value for the forage.

I do not agree that changing the formula and raising the grazing fee will result in more revenues to the state. In fact, it is possible that increasing the grazing fees may actually reduce revenues. If the state adopts a new formula and the grazing fee is higher than the forage is worth, many ranchers may simply walk away and no longer lease the parcels.

I urge you to stick with the current formula which has proven to be effective for nearly 25 years.

Sincerely,



2017 AUG 14 AM 11:27

BOISE, IDAHO

July 21, 2017

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Sincerely,

  
CHASE WHITTAKER



2017 AUG 14 AM 11:27

BOISE, IDAHO

July 21, 2017

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Sincerely,

*Paul F. [Signature]*



2017 AUG 14 AM 11:27

BOISE, IDAHO

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I urge you to stick with the current formula which has proven to be effective for nearly 25 years.

Sincerely,

*I feel the present represents FAIR MARKET VALUE*

*Armen Whiteaker*



August 1, 2017

Dear Mr. Laney:

I am sending you this letter in regards to keeping the current state lands grazing rate formula the same.

What is currently in place has worked for over two decades. I do not believe there is a legitimate reason to change the current formula.

There may be some people who say the formula is out dated and needs to change but they probably don't understand that the current system does allow for premium bids over and above the base rate depending on the year and condition of the forage. This doesn't happen often suggesting that the current system is fair and balanced.

I oppose changing the formula and raising the grazing fee. I stand by the current formula.

Sincerely,



DEPT. OF LANDS  
2017 AUG -9 AM 10:08  
BOISE, IDAHO

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Sincerely,



David R. Callister



DEPT. OF LANDS  
2017 AUG -9 AM 10:08  
BOISE, IDAHO

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Sincerely,

  
Marc Kelly



DEPT. OF LANDS  
2017 AUG -9 AM 10: 08  
BOISE, IDAHO

August 1, 2017

Dear Mr. Laney:

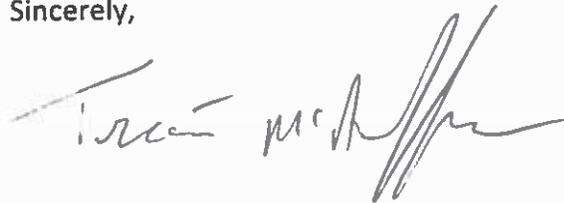
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I oppose changing the formula and raising the grazing fee. I stand by the current formula.

Sincerely,



DEPT. OF LANDS  
2017 AUG -9 AM 10:09  
BOISE, IDAHO

Grazing Rate Methodology Review – Comment Form

PLEASE PRINT

\_\_\_\_\_  
 (First Name)

\_\_\_\_\_  
 (Last Name)

\_\_\_\_\_  
 (Phone)

\_\_\_\_\_  
 (Address)

\_\_\_\_\_  
 (Street)

\_\_\_\_\_  
 (City and State)

\_\_\_\_\_  
 (Occupation)

\_\_\_\_\_  
 (Organization represented and Address)

Which alternative do you support? (Please refer to IDL's Grazing Rate Methodology Review Document for more information on the proposed alternatives)

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DEPT. OF LANDS  
 2017 AUG -3 AM 10:46  
 BOISE, IDAHO

Comments due by **September 1<sup>st</sup>, 2017**

I support Alt. 1 but feel that Neil  
 Remberg's analysis basing the formulas are  
 complex but they do serve a purpose. Trying to  
 compare Private lease rates is a real challenge. After  
 listening to the presentation at the Nampa Civic Center  
 I decided that Alternative #2 will work.

(continued on reverse)

Grazing Rate Methodology Review – Comment Form

PLEASE PRINT

Bend (First Name) Foster (Last Name) [Redacted] (Phone)  
 [Redacted] (Address) [Redacted] (Street) [Redacted] (City and State)  
Rancher (Occupation) Foster Land + Cattle (Organization represented and Address)

Which alternative do you support? (Please refer to IDL’s Grazing Rate Methodology Review Document for more information on the proposed alternatives)

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DEPT. OF LANDS  
 2017 AUG -3 AM 10:46  
 BOISE, IDAHO

Comments due by September 1<sup>st</sup>, 2017

*Deane was very prepared & her presentation was excellent. I think we need to clarify the formula - and pay a little more for the leases - to many people bring in herd stock or sublease - so their making money on the lease - that's not what it was intended for - option #2 is where we ought to be.*