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Permit Values of Federal Grazing in the West

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IN THE WEST

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Preliminary Report - Do Not Quote Without Permission of Authors
PERMIT VALUES OF FEDERAL GRAZING IN THE WEST

Grazing permits are the authorization to graze livestock on federally administered land. In the early 1900s, grazing permits were first observed to have value to the rancher over and above the grazing fee charges by the government. Ranchers were willing to pay the fee plus an additional amount to gain access to the permit. It was reported that during this period the privilege to graze federal land became so valuable that it figured in sales contracts for lands adjacent to the forest whose owners held grazing permits. The control of grazing privileges on federal land has been valued by ranchers as a capital asset for over seventy years.

The most widely held view concerning how grazing permits attain value is that since control of grazing land is embodied in the grazing permit, the product surplus becomes a marketable item through transfer of the grazing permit. As ranchers vie for control of grazing permits, the authorization to graze public lands takes on value. Thus, the permit value reflects the capitalized surplus value that can fluctuate as supply and demand conditions change. Obermiller and McCarl (1982) suggest, however, that permit value can sometimes represent something other than the capitalized difference between what the permittee would have been willing to pay for public land forage and what grazing fees were actually paid. They suggest that other possible sources of permit value include (1) the value of a license without which a viable commercial operation is impossible; (2) the value of a permittee's management and improvements on the public range financed by the permittee; and/or (3) the value of improvements on a permittee's commensurate base property made to insure that his grazing privilege is retained.
Purpose of Study

This study was designed to gather and summarize data concerning the value of federal grazing permits in the West. It is hoped that this data will help policymakers in determining equitable solutions in the present grazing fee debate. It will show that there are many areas that have no, or very small, permit values, therefore, not warranting a grazing fee increase. We will further suggest that if grazing fees are raised to eliminate all permit values, ranchers will suffer a drastic equity loss of their investment in those permits.

Methods

The data collection for this study was accomplished by a mailed questionnaire (see Appendix A). This questionnaire was sent to 542 offices of the farmers home administrations, production credit associations, federal land banks, local banks, insurance companies, and private lending corporations. This mailing, along with a subsequent follow-up letter, produced 294 usable responses. Seven returns were discarded because the person filling out the questionnaire had clearly confused the term "permit value" with "grazing fee."

Results

Of the eleven western states, the highest number of returns was received from Idaho with 48 lending institutions responding. The next highest was Colorado with 33 responses. The number of returns from the rest of the states ranged from the upper teens to upper twenties.

The farmers home administrations returned the largest number of questionnaires constituting 60.5 percent of total returns. Local banks constitutes 15 percent of the sample, production credit associations
have 7.8 percent, life insurance companies have 4.1 percent, federal land banks have 3.7 percent, and private lending corporations have 1 percent. The remainder of the returns were unsigned and, therefore, unknown.

Lenders were asked if their office currently serviced loans to ranchers who own permits to graze federally administered land. One hundred seventy-three out of the 294 (59 percent) respondents replied that they serviced rancher loans. The following analysis concerns those institutions that do service loans to ranchers who own grazing permits. The remaining respondents were not included in the following results.

Tables 1 and 2 depict average dollar value per AUM and range of value per AUM for grazing permits. It must be explained that these values are averages only and cannot be used as an indication of what the typical grazing permit is worth. In fact, the findings show that permit values are very site-specific with many variables involved.

Lending institution personnel were asked how the values of grazing permits have fluctuated since 1979. The results are shown in Table 3. The vast majority of people who make loans to ranchers do not know if permit values have changed over time.

When asked why permit values have changed or remained stable over time, 29 percent of the respondents indicated that they had decreased as a result of the poor economic condition of the livestock industry. About 23 percent said permit values have been stable because: (a) livestock prices have been relatively stable, and (b) there has been a decrease in the land value appreciation rate. The last significant
Table 1. Average Dollar Values per AUM for Grazing Permits in Ten Western States

<table>
<thead>
<tr>
<th>State</th>
<th>BLM Cattle</th>
<th>BLM Sheep</th>
<th>Forest Service Cattle</th>
<th>Forest Service Sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>$210.86</td>
<td>$239.14</td>
<td>$24.50</td>
<td>$24.50</td>
</tr>
<tr>
<td>California</td>
<td>56.67</td>
<td>30.00</td>
<td>78.00</td>
<td>17.50</td>
</tr>
<tr>
<td>Colorado</td>
<td>51.00</td>
<td>26.88</td>
<td>75.00</td>
<td>29.57</td>
</tr>
<tr>
<td>Idaho</td>
<td>54.33</td>
<td>24.00</td>
<td>60.75</td>
<td>28.27</td>
</tr>
<tr>
<td>Montana</td>
<td>59.43</td>
<td>46.00</td>
<td>68.56</td>
<td>25.67</td>
</tr>
<tr>
<td>Nevada</td>
<td>32.50</td>
<td>22.50</td>
<td>47.50</td>
<td>30.00</td>
</tr>
<tr>
<td>New Mexico</td>
<td>106.11</td>
<td>64.50</td>
<td>108.50</td>
<td>68.00</td>
</tr>
<tr>
<td>Oregon</td>
<td>71.25</td>
<td>20.00</td>
<td>74.17</td>
<td>25.00</td>
</tr>
<tr>
<td>Utah</td>
<td>59.17</td>
<td>16.17</td>
<td>72.15</td>
<td>26.14</td>
</tr>
<tr>
<td>Wyoming</td>
<td>58.13</td>
<td>28.00</td>
<td>68.57</td>
<td>55.00</td>
</tr>
</tbody>
</table>

*When the number of responses received was insufficient to make statistical inferences, a blank is shown.

Table 2. Range of Value per AUM for Grazing Permits in Ten Western States

<table>
<thead>
<tr>
<th>State</th>
<th>BLM Cattle</th>
<th>BLM Sheep</th>
<th>Forest Service Cattle</th>
<th>Forest Service Sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>$ 8 - $900</td>
<td>---</td>
<td>$ 8 - $900</td>
<td>$ 4 - $45</td>
</tr>
<tr>
<td>California</td>
<td>25 - 100</td>
<td>10 - 50</td>
<td>25 - 200</td>
<td>10 - 25</td>
</tr>
<tr>
<td>Colorado</td>
<td>15 - 116</td>
<td>10 - 65</td>
<td>25 - 175</td>
<td>10 - 70</td>
</tr>
<tr>
<td>Idaho</td>
<td>10 - 110</td>
<td>4 - 50</td>
<td>10 - 105</td>
<td>0 - 125</td>
</tr>
<tr>
<td>Montana</td>
<td>6 - 90</td>
<td>5 - 75</td>
<td>10 - 90</td>
<td>10 - 55</td>
</tr>
<tr>
<td>Nevada</td>
<td>30 - 35</td>
<td>20 - 25</td>
<td>30 - 65</td>
<td>25 - 35</td>
</tr>
<tr>
<td>New Mexico</td>
<td>80 - 125</td>
<td>16 - 117</td>
<td>80 - 125</td>
<td>16 - 108</td>
</tr>
<tr>
<td>Oregon</td>
<td>20 - 175</td>
<td>18 - 22</td>
<td>30 - 175</td>
<td>20 - 30</td>
</tr>
<tr>
<td>Utah</td>
<td>35 - 150</td>
<td>7 - 30</td>
<td>50 - 300</td>
<td>10 - 45</td>
</tr>
<tr>
<td>Wyoming</td>
<td>10 - 100</td>
<td>2 - 90</td>
<td>20 - 100</td>
<td>0 - 90</td>
</tr>
</tbody>
</table>
Table 3. Change in the Value of Grazing Permits in Ten Western States Since 1979

<table>
<thead>
<tr>
<th></th>
<th>BLM</th>
<th></th>
<th>Forest Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cattle</td>
<td>Sheep</td>
<td>Cattle</td>
</tr>
<tr>
<td>Negative Change</td>
<td>7.8%</td>
<td>4.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Positive Change</td>
<td>2.4%</td>
<td>0.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>No Change</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Don't Know</td>
<td>89.1%</td>
<td>94.2%</td>
<td>91.5%</td>
</tr>
</tbody>
</table>

number of respondents, 10 percent, indicated that reductions in permit values have been directly related to the drop in land values as reflected by the overall condition of the livestock industry.

Lending institution personnel were asked if grazing permits are acceptable as collateral for loans. Sixty-four percent indicated that permits were acceptable and 36 percent said they were not. Over 90 percent said this had been a policy for as long as they could remember. The two most common comments concerning this question were: (a) that they do not specifically value permits but do take them as collateral, and (b) that permits used to be acceptable as collateral but are considered less stable today because of pressure by special interest groups and government cutbacks.

The next question asked was if the lenders discount the "market value" of federal grazing permits. Forty-seven percent indicated they do while 53 percent do not. When asked to explain their responses, 29 percent said they do not specifically value permits, but rather they look at them concerning the overall success of the operation; 15 percent replied that permits are discounted depending on the stability of the permit, trucking distance, etc.; 15 percent said they are discounted 50
to 75 percent of market value; and 15 percent stated permits have no technical value.

When asked if they loan the full "market value" of a federal grazing permit to an operator who is purchasing these permits, 70 percent of the respondents said yes they would and 30 percent would not. The most numerous responses to this question stated no reason not to loan the full "market value" if the loan is adequately covered by other collateral and the lessee shows sufficient repayment ability. The only other response with a significant number stated they would not loan full "market value" because federal agencies have the right to terminate or substantially cut back permits at any time. They further suggest that these changes can be brought on by a change in personnel or political environment, thus, making the loan too risky. Nearly all responses stated this as being standard loan policy for their organization.

Table 4 indicates the responses of lending institution personnel when asked to rank variables according to their importance in determining the value of an animal unit (AU) of forage from federally administered land.

In interpreting the data in Table 4, 21 percent of the lending institution personnel replied that the last variable (required nonfee costs of using federal land) was very important in determining the value of an animal unit of forage on federally administered land; 42 percent said that it was important; and 24 percent decided it was of average concern.

Lending institution personnel were then asked to express their opinion concerning fees ranchers pay for using federal land. Eleven percent claimed the fees were too high, 10 percent claimed they were too low, 48 percent said they were about right, and 31 percent did not know.
Table 4. Variables Importance in Determining the Value of an Animal Unit of Forage on Federally Administered Land

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of operation</td>
<td>0.39</td>
<td>0.26</td>
<td>0.24</td>
<td>0.07</td>
<td>0.04</td>
<td>0</td>
</tr>
<tr>
<td>Tenure of operator on ranch</td>
<td>0.23</td>
<td>0.33</td>
<td>0.21</td>
<td>0.09</td>
<td>0.11</td>
<td>0.02</td>
</tr>
<tr>
<td>Years ranch has been owned by current operator</td>
<td>0.12</td>
<td>0.32</td>
<td>0.28</td>
<td>0.10</td>
<td>0.16</td>
<td>0.02</td>
</tr>
<tr>
<td>Equity position ranchowner</td>
<td>0.32</td>
<td>0.20</td>
<td>0.23</td>
<td>0.06</td>
<td>0.17</td>
<td>0.02</td>
</tr>
<tr>
<td>Projected cash flow</td>
<td>0.50</td>
<td>0.21</td>
<td>0.10</td>
<td>0.08</td>
<td>0.11</td>
<td>0.01</td>
</tr>
<tr>
<td>Size of operation</td>
<td>0.07</td>
<td>0.30</td>
<td>0.42</td>
<td>0.11</td>
<td>0.09</td>
<td>0.01</td>
</tr>
<tr>
<td>Off-farm sources of income</td>
<td>0.04</td>
<td>0.19</td>
<td>0.29</td>
<td>0.22</td>
<td>0.21</td>
<td>0.04</td>
</tr>
<tr>
<td>Location of ranch</td>
<td>0.28</td>
<td>0.35</td>
<td>0.28</td>
<td>0.05</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td>Percentage of feed obtained from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal sources</td>
<td>0.26</td>
<td>0.39</td>
<td>0.20</td>
<td>0.08</td>
<td>0.04</td>
<td>0.03</td>
</tr>
<tr>
<td>Private sources</td>
<td>0.23</td>
<td>0.37</td>
<td>0.22</td>
<td>0.06</td>
<td>0.08</td>
<td>0.03</td>
</tr>
<tr>
<td>Existence of an approved management plan for federally administered lands</td>
<td>0.15</td>
<td>0.33</td>
<td>0.28</td>
<td>0.14</td>
<td>0.07</td>
<td>0.03</td>
</tr>
<tr>
<td>Existence of an EIS statement for grazing</td>
<td>0.08</td>
<td>0.20</td>
<td>0.35</td>
<td>0.18</td>
<td>0.08</td>
<td>0.10</td>
</tr>
<tr>
<td>Recreation potential of public lands</td>
<td>0.05</td>
<td>0.11</td>
<td>0.16</td>
<td>0.12</td>
<td>0.08</td>
<td>0.02</td>
</tr>
<tr>
<td>Carrying capacity of land</td>
<td>0.55</td>
<td>0.30</td>
<td>0.12</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Forage trend</td>
<td>0.40</td>
<td>0.35</td>
<td>0.21</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Forage condition</td>
<td>0.44</td>
<td>0.38</td>
<td>0.14</td>
<td>0.03</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Potential mineral development</td>
<td>0.04</td>
<td>0.15</td>
<td>0.37</td>
<td>0.21</td>
<td>0.17</td>
<td>0.06</td>
</tr>
<tr>
<td>Grazing fees charged on federal lands</td>
<td>0.28</td>
<td>0.43</td>
<td>0.23</td>
<td>0.02</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td>Required nonfee costs of using federal land</td>
<td>0.21</td>
<td>0.42</td>
<td>0.24</td>
<td>0.09</td>
<td>0.01</td>
<td>0.03</td>
</tr>
</tbody>
</table>

1 = very important, 2 = important, 3 = average concern, 4 = slight consideration, 5 = irrelevant, 6 = unknown.

The final question was concerning the use of federal land by domestic livestock. Four percent of lending institution personnel felt the use should be reduced, 20 percent suggested use be increased, 49 percent thought it should remain the same, and 27 percent said that either they did not know enough to make a decision or that overuse and underuse
cases are site-specific and there is no way to generalize for all federal land.

Discussion

To begin a discussion of the findings of this study, one of the first things that becomes apparent is the value difference between Forest Service and BLM lands. Why does this difference exist? BLM lands show consistently lower permit values than Forest Service land, yet BLM lands are usually the area used during the critical winter months, on the average are more easily accessible than Forest Service allotments, and usually have a longer season of use. Why then are permits to graze Forest Service land worth more?

There are a couple of things that might help explain this value difference. From the lending institution comments, we find that over the years the Forest Service has been more consistent concerning the issue of grazing permits, in both the permit itself and the number of animal units embodied in the permit.

One reason suggested to explain this is the fact that BLM lands are usually drier with less forage production per hectare. Often the number of animals the land can support is determined solely by rainfall. With a large portion of BLM grazing being somewhat ephemeral in nature, they necessarily deal with greater uncertainty. Because of this uncertainty, BLM personnel have been given more latitude in range management decisions, and deem cutbacks necessary at times.

One of the next things that becomes apparent is the astronomically high average permit values in the desert southwest. A closer look at the returns revealed the source of the high averages. A few small areas, usually with development potential, are being financed and bought
with money purchased at an inflated price and operated for a tax write-off—not caring if it operates at a moderate deficit. A few of these areas, those scattered mostly through New Mexico and Arizona, have greatly inflated the permit values in those two states.

This is not suggesting that ranches in other states are not being purchased and operated by nonranchers for tax write-offs or other benefits, the problem just seems to be the most severe and wide-spread in the desert southwest. Trying to explain this phenomenon is a confounding problem. In fact, you cannot explain why someone would purchase a ranch at an inflated price and continue to operate it even though it is losing money. There must be some other value associated with ranching that our scientific economic analysis has overlooked.

Of those lenders who knew the change in permit values since 1979 (Table 3), between 64 and 80 percent (depending on whether it was cattle on BLM land, sheep on Forest Service land, etc.) said the value of permits has decreased since 1979. There was also a considerable number of returns which indicated some permits in their area are worthless. These were mostly high-country sheep allotments but not always.

If federal grazing is such a good deal, why are there so many vacant allotments in the West (Godfrey, Nielsen, and Lytle 1984). Why can permittees be found to graze these allotments? Why are there areas where the permit to graze federal land is worthless? These questions suggest that not all federal land is a bargain.

Granted, there are some areas that are readily accessible, with consistently good forage production, that will always have people standing in line to graze it. These specific areas possibly warrant a small
grazing fee increase. But there are many more areas where the substantial nonfee costs (Obermiller and Lambert 1984) bring the cost of grazing federal land up to being comparable to private range grazing.
References

Godfrey, E. Bruce; Nielsen, Darwin B.; and Lytle, Denny D. Unpublished study made in 1984 entitled: "Vacant Federal Grazing Allotments in the West."

APPENDIX A:

GRAZING PERMIT QUESTIONNAIRE
GRAZING PERMIT QUESTIONNAIRE

1. Does your office currently service loans to ranchers who own permits to graze federally administered lands?
   __Yes  __No. If no, please answer only questions 6, 7, and 8.

2. What is the current (1984) market value of permits in your area? Please specify these values in dollars per animal unit month (e.g., $25 per AUM or $125 per cow for 5 months). If unknown, please so indicate.

<table>
<thead>
<tr>
<th>BLM</th>
<th>Forest Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>Sheep</td>
</tr>
<tr>
<td>Average value</td>
<td></td>
</tr>
<tr>
<td>Range of value</td>
<td></td>
</tr>
</tbody>
</table>

3. Have these average values changed since 1979? If so, please indicate how these values have changed. If unknown, please so indicate.

<table>
<thead>
<tr>
<th>BLM</th>
<th>Forest Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>Sheep</td>
</tr>
<tr>
<td>1983</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td></td>
</tr>
</tbody>
</table>

   In your opinion, why have these values changed or remained stable over time?

4. When evaluating a loan involving a ranch business with grazing permits on federal lands:
   a. Are permits currently acceptable to you as collateral?
      __Yes  __No

      Is this a change from historic policy or procedures?
      __Yes  __No. Please explain.

   b. Do you discount the "market value" of a federal grazing permit in appraisals?
      __Yes  __No. If so, in what way or how much? Why?
c. Do you loan the full "market value" of a federal grazing permit to an operator who is purchasing these permits if the operator has sufficient collateral?

____yes  ____no. Why?

Is this a change in historically used procedures?

____yes  ____no. Please explain.

5. Please rank each of the following variables according to their importance in determining the value of an animal unit of forage from federally administered lands. Very Important (1), Important (2), Of Average Concern (3), Slight Consideration (4), Irrelevant (5), or Unknown (6)

\begin{tabular}{|l|c|c|c|c|c|c|}
\hline
a) type of operation & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
b) tenure of operator on this ranch & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
c) years ranch has been owned by current operator & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
d) equity position of owner of ranch & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
e) projected cash flow & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
f) size of operation & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
g) off-farm sources of income & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
h) location of ranch & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
i) percentage of feed obtained from:
   federal sources & 1 & 2 & 3 & 4 & 5 & 6 \\
   private sources & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
j) existence of an approved management plan
   for federally administered lands & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
k) existence of an EIS statement for grazing & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
l) recreation potential of public lands & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
m) carrying capacity of land & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
n) forage trend & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
o) forage condition & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
p) potential mineral development & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
q) grazing fees charged on federal lands & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
r) required non-fee costs (e.g., maintenance)
   of using federal lands & 1 & 2 & 3 & 4 & 5 & 6 \\
\hline
\end{tabular}
6. In your opinion, are the fees ranchers pay for using federal lands:
   ____ too high  ____ too low  ____ about right  ____ don't know

7. Should the use of federal lands by domestic livestock be:
   ____ reduced  ____ increased  ____ remain the same  ____ don't know

8. General Comments (if any):
APPENDIX B:
GENERAL COMMENTS FROM LENDING INSTITUTION PERSONNEL
General Comments

1. Value of federal grazing leases is closely tied to the percentage of deeded land involved in the unit.

2. Values vary quite a bit because of the varying climate and topography.

3. A longer lease term offers stability over the life of the contract and influences other management decisions. Preferential renewal right would also perpetuate stability and therefore increase security value.

4. Increased grazing fees would leave less working capital for other purposes and might cause an operation to be unprofitable. Should grazing fees be increased, the lessor should plan on improving the land to increase productivity, lowering the income producing capability of the leased land would reduce the value of the lease for security purposes.

5. It is feasible to make more federal lands available to commercial operations while protecting the other current and practical uses of the land. However, assessment of grazing fees should more closely approximate current grazing costs of an animal unit and commercial agricultural land which are owned by individuals.

6. In most cases carrying capacities are set on the conservative side. Increases or decreases should only occur after a complete study of forage trends and conditions.

7. A cattleman who is able to supplement his feed requirements with federal grazing has substantially lower feed costs than one who rents private pasture of relics upon his own land for the feed.

8. Generally, BLM land is adequately grazed in this area but in a few instances livestock numbers could be increased. No overgrazing of federal land is apparent in this area.
9. During the recent economic duress suffered by farmers and ranchers, some ranches were acquired by lenders. The BLM would not allow the lender who obtained title through foreclosure to be assured they could keep the lease with the base property, even though they weren't in trespass in any manner. This policy has a definite negative effect on loans to ranches with and appreciable federal lease.

10. Because of death loss from various causes and the incidental costs associated with permits (particularly forest permits) the net returns may not be any greater than if one pays a higher monthly cost for more productive land close to the base of operation.

11. Most of the ranches and operations that are being purchased are being bought by outside interests who are investing "other income" to develop these ranches and operations.

12. There is no market for grazing permits as there was in the past because of the poor livestock economy.

13. I feel that federal lands should be used more for grazing, especially for the cow/calf operator who has to maintain the producing animal in the cattle business.

14. Unless a better reduction of wild horses is obtained, livestock numbers will gradually be forced to decline. The horses are in too direct competition for the forage. We need to allow ranchers to implement a wild horse reduction program so that livestock numbers can increase to offset some of the financial setbacks such as ever increasing operating costs.

15. Federal leases should not be given to the highest bidder.

16. Holders of federal permits should be required to provide access for recreational use.
17. I feel that grazing rights should be put up for public bid every five years with the highest bidder getting grazing rights. The present controller would have the right to meet highest bid.

18. The most current sale I know of the permit sold for $100/Aum.

19. There are certain factors in regards to Federal leasing that distract substantially from the actual grazing use value. They are as follows:
   a) Uncertainty of lease term and conditions. We have seen permits terminated of substantial cut-back at the whim of the agency, which could be brought on by a change in personnel or political environment.
   b) Above normal operating costs. Many of the permits areas involve unfenced ranges where theft, health care of animals, and time and expense involved in the round-up of livestock is much greater than on fenced pastures.
   c) About the only positive cash flow in ranching has been the appreciation of real estate value. Where leases often are an integral part of a western ranch, if dependent upon government lease for an operating unit, the lease can have a negative impact on the present market value.

20. I would say federal permits are of very limited value. With todays livestock prices, overhead costs render many permits worthless.

21. We should be changing to more private allotments. Almost without exception, the private allotments are better than those allotments run in common among several operators.

22. Some operators are excellent stewards of the land, others have done a very poor job. The answer to question #7 is that we should look at the individual allotments and increase numbers on the good ones and decrease numbers on the poor ones.
23. Common use permits are of far less value than private allotments because of management and breeding problems.

24. Generally, Fed. Administered Lands are understocked - some years when grass is plentiful herds should be allowed to stay on longer. Restrictions placed on grazing permits discourage stockmen from purchasing and keeping them, examples: eartags, number cuts, on and off dates don't coincide with forage availability, road restrictions, no money for maintenance.

25. The cow/calf operator has been hurting for many years now. Also, with the change in consumer eating habits, it would appear they will be hurting for a while yet. It would appear the only way to be in the cattle business today would be as a hobby.

26. Grazing is extremely important to our western economy. Private grassland is much too high priced to summer cattle nor is there enough private land available.

27. Most ranches in this area are very dependent on outside grazing as they are cow/calf operations with most deeded acres being utilized to raise winter feed. Operating expenses have been steadily increasing without the benefit of higher of setting livestock market prices, catching the rancher in a severe cost - price squeeze.

28. Each area should be carefully studied and monitored for forage production and carrying capacity, then consider also the wildlife needs before setting an "allowable number" for grazing of livestock - some areas are seriously over-grazed to the detriment of livestock and wildlife and the "allowable number" should be monitored occasionally for compliance - there are abuses.

29. The low cost of grazing on public lands is the one thing that keeps many of our borrowers in the business.
30. The lack of management of wild horses on federal lands needs to be corrected immediately. The continued abuse of federal lands by wild horse populations is decreasing the value of federal lands, thus decreasing the value of grazing permits.

31. Much of the improvement of Federal lands is at the rancher's expense and improvements then used for other non-paying uses.

32. Lenders would loan more money on federal grazing permits if the government would allow them to lien the permit and assure a carrying capacity that could be transferred in the event of foreclosure.

33. The use of federal lands should be increased because it is beneficial to man in providing food and fiber as well as reducing fire danger.

34. Use should be monitored more closely there are many areas of our federal lands that are being over-grazed.

35. Ranchers holding permits who don't have enough livestock to fill permits, sublease these permits for $10/Aum and sometimes more. I feel these people should be fined because they are setting a "market price" for these permits and I feel that in today's market many ranchers cannot afford this.

36. Fees could be indexed to prices with a minimum and a maximum specified. I am not in favor of overgrazing nor am I in favor of land left unused.

37. Grazing fees should be more in line with the cost of grazing in the private sector, as a taxpayer I expect to get a fair return. Increased fees would hopefully make it possible for increased income to service these lands and enhance the value for all Americans.
38. Although, grazing fees appear to be low on federal lands, permittees do not receive all the benefits they would on a private lease. Generally, in this area private leases go for $10 - $12 per AUM, however the landlord furnished salt, maintains fences, rides and maintains water.

39. The use level on federal land should depend on the multiple uses of that particular area. Many areas have no other use than for grazing. Some other areas have considerably more value for recreation or wildlife and could generate substantially more income if managed accordingly. However, the Forest Service is not the direct recipient of this income under the present system. It is rather the State Fish and Game Department or local business that benefit because of increased recreation and hunting possibilities.

40. I do not feel there should be a value placed on permits as the operator does not own it. It is a privilege given by the government and when the user no longer wants it, the privilege should pass on to another deserving operator.

41. Fees are too low. This is what creates the value of the grazing permit. Use should be consistent with the available resource and proper consideration given to other uses. I am cautious when making loans that involve permits. Even though a market value can usually be established, this does not necessarily mean they are worth that for security purposes.

42. Although, the fees paid for using Forest Service lands appear to be low, there are many hidden costs that are not present when one rents pasture from private landholders. The costs of fence construction and maintenance, water development, and livestock care (pasture rotation, etc.) can greatly increase the overall cost of Forest Service grazing.
43. I would like to see the management of the allotments shifted to those permittees who have shown they can manage in a sound manner.

44. The fee schedule for grazing which varies in direct proportion to the livestock industry's cash flow (prices) was a positive move.

45. Loss of livestock on forest permits is often a major consideration. When loss is computed no cost it makes the forage expensive. Loss ranges from 3% to 10%. Many times the missing cattle cannot be accounted for which means that the public utilizes more than just the scenery for their own benefit.

46. I personally feel use of federal lands should be favorable to retaining foundation herds of all species who benefit from grazing. This would also include natural predators of herbivores.

47. "Market Value" of Forest and BLM permits and fees ranchers pay for use of these permits are a big subject with many variables. I started working for the Farm and Ranch Loan Dept. of Equitable Life in 1962 --- at that time Western Colorado and the Uintah Basin of N.E. Utah was my assigned territory --- now I work in Western Colorado --- The San Luis Valley area in So. Central Colorado --- all Utah except three Co's bordering Idaho and Carbon and Sweetwater Co's Wyoming.

I have about decided that the value of permits vary from "0" to a figure quite high depending on the quality of the feed on the permit, predator problem, ease of use of the particular permit by a particular ranch, whether the allotment is "individual" or "common" etc. I remember in the early 60's a sheep rancher turned some BLM winter permits back to BLM in the Thompson, Utah area when he was paying between .13 - .18/AUM grazing fees due to (1) coyote problem and (2) lost of moving to and from
the permit --- He stated leasing corn stalks in the Delta- Meutrose area when he gave up the permits.

Value paid for permits also is quite variable — amount paid for them in a watershed area of cities or towns drop to nothing when those municipalities start critical comments. In the watershed of Dillon Res. there are no sheep permits left. In areas where summer deeded pasture is at a premium — summer forest permits sell high. (A deal is not pending on the New Mexico — Colorado line for $450/hd. for a 3-1/2 mo cow permit ($10,000 firm money down now) — thats $128/AUM). Just as good a permit in the meeker — steamboat area probably wouldn't sell for $50/AUM today due to surplus deeded, summer grazing here and a shortage in the So. Central Colorado area. Cow summer permits in the Bordy Mountains area North of the Uintah Basin, Utah area have historically (past 15 years) sold in the $300 — $350 head range for 85 to 90 day permits (Summer).

BLM sheep permits in the Red Desert, Wyoming to (Crescent Junction — Baggs Wyoming) to Colorado line area sold in 79,80,81 for about $40/AUM (winter permits) at the same time winter permits South of Vernal were selling from $17.00 to $22.50/AUM —I believe the areas were comparable feed — but the Wyoming area was more accessible to more sheep operators. At the same time BLM winter sheep permits were selling for about $30/AUM on the Colorado-Utah line west of Grand Junction. Right today I doubt if a sheep outfit could get anything for their winter permits as more of their in the No. Colorado — NE Utah — SW Wyoming area are wanting out of Business then are wanting in business — $ even @ .65 lambs they can only break-even if they are packing "O" debt on land and livestock.

As far as fees are concerned — it is my opinion that a good summer forest permit "individual allot" adjoining the deeded land is worth just
about as much as that operator would need to pay for similar quality and located leased deeded land — around $8/AUM — then another allotment — not as well located — "In common" lower quality feed would be worth considerably less. (If an operator paid $60/AUM for the permit — at present day interest @ 14% the annual interest would be $8.40 (AUM). So economic conditions today may force the value of the permit to "0" or near that especially if the annual fee of the permit is raised any above the $1.43/AUM.

I know I've rambled and come to no conclusions — permit fees and permit values are a mixed and complicated problem.

48. Permittees who are good caretakers of federally administered lands and can show enhanced forage trends and condition, should be favored with a beneficial fee. Conversely, a fee surcharge should be assessed for proven abuse of federal lands.