

Range Management and Grazing Fees on the National Forests—A Time of Transition

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THE HISTORY OF NATIONAL FORESTS in the United States is rich with controversy concerning conservation and management of land and resources. The initial political struggles that led to the creation of forest reserves were predicated on national concerns about water, aesthetic and scenic preservation, and forest destruction (Gates 1979).

Similar concern for grazing lands was not expressed in legislation until the Stockraising Homestead Act in 1916 (Dana and Fairfax 1980). Overgrazing has surfaced in debates ever since. Many grazing abuses have been addressed and brought under control. The mandated processes of forest planning (National Environmental Policy Act of 1969, National Forest Management Act of 1976, Forest and Rangeland Renewable Resources Planning Act of 1974, Federal Land Policy and Management Act of 1976, and Public Rangelands Improvement Act of 1978) have led to a crossroads concerning management of vegetation within the National Forests System lands that have profound implications for existing management of the Forest Service and its way of dealing with grazing and vegetation management.

The Problem

There are three main problems that, though they superficially appear to be unrelated, have major implications to current levels of management of resources on National Forests. First, Forest Service budgeting for land management activities is along strict functional lines; i.e., timber, recreation, wildlife, water, and range management. Second, livestock grazing is commonly perceived, within the budgeting process, as synonymous with "range management" and perceived within environmental and other user groups as synonymous with subsidy for the livestock industry. Third, the role of vegetation management in a more holistic sense (for example, not specifically and totally to enhance timber production or grazing for ungulates) is increasingly important within National Forest management. In the meantime, employees trained in conservation and management of non-timber vegetation (i.e., range conservationists) are receiving less than needed program support. These three factors in combination, if not successfully addressed, could result in substantial diminution of high-quality multiple-use management of the National Forests.

The Consequences of Budgeting by Functional Area

Foresters and engineers are paid primarily from timber funds, wildlife and fisheries biologists from fish and wildlife budgets, range conservationists from the range budget, hydrologists and soil scientists from soil and water budgets, and recreationists from recreation budgets. When management practices affecting large areas are planned, interdisciplinary teams are formed to deal with environmental impacts analysis and to plan management actions (Federal Register 1979). This requires some mixing of funds. This mixing is more apparent than real as the specialists primarily address issues within their area of expertise. Further, most management activities are carried out within the traditional framework of timber, wildlife, recreation, water, and range budgets. For the most part, foresters work on timberland producing and harvesting trees, range conservationists handle grazing by livestock, wildlife biologists deal with the habitat of wild animals, recreationists manage forest recreation, and hydrologists and soil scientists work on projects related to the lessening of erosion and the assurance that water quality standards are met.

There is pressure on the Forest Service to reduce livestock grazing in general and to eliminate it from some areas (Ferguson and Ferguson 1984). Perceived conflicts with recreation (Platts 1986) and disputes over conditions of riparian zones, water quality, and fish habitat are among primary candidates for producing confrontations over grazing (Thomas 1986). These growing disputes could result in reduced livestock numbers and, when coupled with increasing pressure to reduce federal deficits, could lead to smaller Forest Service budgets. The range management budget, which is perceived by some as a costly subsidy to a group of livestock producers (Ferrell 1977), is particularly vulnerable. This causes doubts about the future of the range conservationists whose activities are funded under that function.

Is there a relation, real or perceived, between revenue generated within a functional area and the allocation of budgets and personnel to that function? Theoretically, optimal management would result in budgets and positions being allocated among the functional areas in such a way that the marginal contribution of a position to the overall management goals of the agency would be equal. If the allocation of budgets and personnel within the

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agency are related to revenue generation, then optimal management occurs only to the extent that revenue generation is representative of the overall goals of the agency.

"Subsidized" Grazing and Permit Value

A confounding problem is the existing means of handling livestock grazing on the National Forests. Early in the century, livestock grazing on federally owned lands was essentially uncontrolled. Many cattle and sheep herds were owned by persons who owned no property and moved these herds from area to area. This led to severe overgrazing and deteriorating range conditions, which contributed to instability of local economies. Regulations were promulgated to simultaneously promote stability within small rural agricultural communities, regulate livestock use, and end abusive grazing. These regulations served their intended purposes well, but these regulations, and customs that developed concomitantly are a serious problem in themselves (Gardner 1983). Requirements for graziers of Forest Service land to own the livestock and sufficient base property to support their livestock when not on public land, coupled with permit tenure and fees for grazing set through a mainly political pricing mechanism, have resulted in monetary value being attached to the grazing permits (Roberts 1963). The government is not legally obligated to recognize permit value and does not do so (U.S. Supreme Court 1973). In reality, loans are made by commercial lending institutions against permits; permits are valued as assets by appraisers and are bought and sold—albeit by circuitous means, e.g., cattle being grazed on the allotment are sold to a buyer and the permit is, essentially, transferred along with the cattle (USDA 1986).

The disparity between private land lease rates and federal grazing fees provides fuel to the argument that livestock grazing on a National Forest is "subsidized" (Handweg 1980). There are counterarguments that such fees are at an appropriate level if the peculiar costs associated with grazing on National Forests in addition to grazing fees are considered (Metzger 1982). It is the perception that public grazing is subsidized that carries the seeds of

political redress and must be addressed. Pressures from many sources are coming to bear on livestock use on National Forests. Some comes from economic arguments against a subsidized industry and the comparatively small revenues generated through livestock use compared with the cost, environmental and administrative, of the grazing program (Libecap 1981).

Range Management—A Broader View

What is the future of range management within the Forest Service? We believe its role needs to change and its constituency to be expanded if it is to remain a viable part of the agency's program. Fortunately, its role is in the process of expanding and there is opportunity to enlarge its constituency. Range conservationists are, in our opinion, the primary professionals with knowledge of how and why to manage vegetation, other than timber, to achieve management objectives including grazing, timber, wildlife habitat, watershed, and aesthetic and recreation objectives or various combinations of those objectives.

Pressures are mounting on the Forest Service to move away from its traditional multiple-use management (dominated by timber and livestock management) to a more balanced and holistic management style. Perusal of emerging plans for each National Forest indicate that this pressure is effective. Thus, the agency will be paying more attention to management of grasslands, other non-forested areas, and vegetation other than trees on forested sites. Range conservationists should play an even more important and effective role in Forest Service land-management. Without range conservationists, the management of such vegetation would fall by default to foresters, hydrologists, recreation managers, or wildlife biologists who, with individual exceptions, are less qualified and experienced to fill this rapidly developing niche.

This change will not come easily and will require adjustment in the institutional environment within which the range conservationist has traditionally operated in the Forest Service. Changes will be required in perceived constituencies, mission, financial arrangements, and mind set. A question of survival and of new management need,



however, makes change much more palatable, plausible, and likely.

A Suggested Solution

Resolving emerging problems associated with livestock grazing of Forest Service lands may require changes in ways of doing business that would have been unthinkable 20, or even 10, years ago. The best resolution would address, simultaneously, each of the three concerns described earlier. The functionally oriented budget process, though destined to change, is unlikely to do so soon enough to address the problems. We assume that the functional approach to Forest Service budgets will continue for awhile—into the near future. Retention of non-tree vegetation management experts will be funded through traditional range budgets. Broadening the objectives covered under the budget item beyond the traditional definition of livestock management to embrace non-timber vegetation management for multiple uses will be essential. This can be best accomplished if range management is considered in a much broader context.

A workable mechanism through which economically appropriate and ecologically acceptable grazing programs might continue should include a workable and acceptable system whereby livestock graziers pay what is generally recognized as a fair market value for the forage resources. The problem in any such approach lies, inevitably, in arguments over grazing permit "ownership" and value. To suddenly mandate that all grazing will be awarded to the highest bidder would strip present permit holders of the value of their permits. This is politically unlikely and, we argue, not in keeping with reality or ethical behavior.

Although permittees have been and are very active in lobbying for the preservation of permit value, the market value of permits has evolved through no fault or action of the present permittees. The permit value evolved as the result of administrative expedience by the Forest Service to solve problems of instability of isolated rural communities and abusive grazing. These problems ceased to exist many decades ago and are now considered by some as dramatically anachronistic. Court cases have held that the Federal Government has no obligation to recognize permit values in decisions concerning grazing fees or reductions in permitted livestock numbers (USDA 1986). Political realities and, perhaps, inertia inside the agency, however, have produced maintenance of the status quo. The status quo occurred, not because the situation was the best of all possible worlds, but we think, because there were no fair, equitable, and realistic alternatives.

Congressional committees and agency study teams have debated grazing fees and fair market value for grazing since the initiation of fees for grazing National Forest lands shortly after the turn of the century (Quigley et al., 1988). In each case, after much debate, Congress fell back on a fee system based on equity arguments supported mainly by the livestock industry but broadly recog-

nized as failing to achieve fair market value. One persistent concern of Congress has been permit value and the loss of personal wealth of individual permittees that would result if permits were voided and fees set through some mechanism, such as competitive bidding for grazing rights.

Gardner (1962, 1984) suggested the creation of perpetual permits for a given quantity of grazing with consideration for multiple uses, range productivity, and range condition in exchange for existing permits. These permits

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could then be exchanged in the open market without the current encumbrance of base property or ownership of livestock. An annual usage fee would be set. If additional grazing were to become available because of permittee investment or management, the permittee could harvest the forage at the set fee. If grazing reductions were necessary, the Forest Service could simply buy back the permits from the permittees.

Baden (1980) proposed that those presently holding grazing permits be allowed to purchase perpetual grazing rights. The purchase price would be equal to the present value of the projected income to the federal treasury from payments made for yearly grazing. This proposal would create a private resource that could be readily exchanged in the market.

Both the Gardner and Baden proposals addressed two problems inherent in the present manner of allocating permits and setting fees. First, agency or legal requirements associated with obtaining, holding, or transferring a permit result in inefficient allocations of forage. Second, equity issues (shifts in wealth and resource use) are centered around permit value. However, neither proposal has resulted in substantial change in government policy.

A fair and equitable estimation of fair market value for grazing must simultaneously consider permit value. A significant aid in determining fair market value for grazing entails removal of adverse impacts on permit values that result from any change in the administration of grazing on Forest Service land.

What if the Federal Government purchased existing permits at market price and then established a pricing system for grazing that insured fair market value for grazing? Graziers holding such permits would be compensated for expenses incurred in acquiring and maintaining the permit. All or some of the costs of purchasing permits could be repaid from the increased funds derived from fair market pricing as they accrued. We see four major benefits from this approach:

1. The government and affected graziers could break free from the monetarily and politically costly reexamination cycle of grazing fee issues and the methods of deter-

mining grazing fees. This reexamination has occurred 6 times on an 8- to 14-year cycle since 1906 and has been the instrument through which the perpetually and increasingly unsatisfactory political pricing mechanism has functioned. This process has been costly in terms of direct dollar costs, deflection of skilled agency personnel from other tasks, and has resulted in strained, even acrimonious, relations among users, managers, and others interested in the management of the nation's range resources on National Forests. These recurring assessments have been a stumbling block to the accomplishment of some badly needed conservation practices—particularly those related to adjustments in stocking levels and installation of needed range improvements.

2. Monetary values used in the planning and allocation of future uses of range resources could be obtained directly from existing, site specific, fair market values on

Part and parcel of this is the continued availability of range management professionals presently or potentially capable of carrying out conservation practices requiring manipulation of range, understory forest vegetation, and early forest successional vegetation for a greatly expanded mission—range management for the achievement of water, wildlife, recreation, and timber goals and not primarily for enhancement of forest production for livestock.

National Forests. These values would contrast with those currently derived from more generalized studies that determine the likely value "if" fair market pricing had been implemented. Such estimates are fraught with assumptions and always subject to attack by both sides in the issue. These attacks center on assumptions, assignment of values, methodology, or some combination of those factors. This endless debate is inevitable, given such an approach. In fact, the debate will almost certainly intensify because of the increasing sophistication of the land-use planning and resource allocation process and the players in that game. The controversy surrounding the "derived" values would suddenly be without substance or import, and forage resources for livestock could be allocated on market prices. Whether this would reduce conflicts is debatable—but, at least conflict would no longer be predicted on issues of fair market price. This would place sale and allocation on similar and essentially equal footing with the processes for allocation and sale of timber. Agency budget allocations could then be more rationally considered on the basis of real dollar values. Similar arguments about wildlife values for production and harvest of game and fish have also been suggested (Thomas 1984).

3. Forage from National Forests would less likely be viewed as a subsidized commodity for use of the livestock industry. Budgets allocated to managing rangeland vegetation would more likely become adequate to meet the National Forest's critical multiple-use mission. Part and

parcel of this is the continued availability of range management professionals presently or potentially capable of carrying out conservation practices requiring manipulation of range, understory forest vegetation, and early forest successional vegetation for a greatly expanded mission—range management for the achievement of water, wildlife, recreation, and timber goals and not primarily for enhancement of forest production for livestock.

4. Ranchers would be fairly compensated for permits that many, or most, acquired and maintained at considerable expense. At the same time, current permit holders would be given equal opportunity to compete for forage from National Forests with other interested graziers.

The discussion here has not addressed all the details that must go along with shifting range policy as suggested. Should maintenance of range improvements be the responsibility of permittees or the government? How does one determine existing permit value for government purchase price? How are annual grazing leases bid? When only one bid is given, does an appraisal or default minimum apply? Are there circumstances when environmental groups can bid and not graze the forage? All these questions, and more, must be resolved. We submit that these new decisions can create opportunities to provide a dynamic management environment that could be capable of meeting the multiple-use demands facing the National Forests of the future.

An Example

The Wallowa-Whitman National Forest grazing program serves as an example. During 1984, there were 164 grazing allotments with 144 permittees grazing 21,900 cattle and 16,700 sheep (a total of 186,000 AUM's). Income to the Federal Government for grazing was about \$130,000/year. By estimating the upper and lower levels of the "true value" of the permits, the cost for the purchase of permits can be estimated and an estimated pay-back period from revenue generated through application of fair market value to grazing can be generated. The average true value of permits is assumed to be between \$25 and \$50 per AUM for this forest (Obermiller 1987). The total buy-back cost would be between \$4,650,000 and \$9,300,000. If an average fair market value of grazing equal to \$5.31 per AUM (derived from an appraisal of grazing values on public lands) (USDA 1986) is assumed, the return per year to the Treasury under terms of competition would be \$987,660. The pay-back period would be bracketed by 4.7 years and 9.4 years, depending on the price of the permit at the purchase time.

Alternative mechanisms can be derived for paying permittees the value of their permit. One way is to spread payments out as a percentage (say 50%) of the annual income derived from grazing under the new plan until the value of the permit plus appropriate interest has been made. Where the existing permittee is successful in obtaining the use of the federal forage under the terms of the new program, 50% of the permittee's cost for grazing

could be waived and applied toward the payment due under the terms of the contract. Special rules might have to be made to deal with existing situations where only one grazer, because of access or location, can logically bid on the grazing being offered. In no case should grazing be allowed unless the income more than covers the cost of administration or the management objectives can be met only by grazing means. This insures that marginal grazing lands would be excluded from the livestock grazing land base. Dealing with these unusual circumstances should not prove a major impediment to the institution of the suggested system.

Conclusions

The land-management mission of the Forest Service will be critically and adversely affected if changes in our way of dealing with grazing are not properly addressed. Further, grazing will likely become less and less important as one of the multiple uses of National Forests. One plausible approach to reversing trends is to remove the stigma of subsidization from grazing of livestock under appropriate control and to allow grazing to compete on essentially equal footing with other marketed resources. Simultaneously, the role of range conservationists must be broadened to encompass management of vegetation for a myriad of purposes, not merely for grazing by livestock.

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