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Grazing policy on public lands

by Norman K. Whittlesey,
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Three major problems emerge from the debate about public grazing policy: (1) rangeland quality continues to deteriorate despite over a half century of federal effort to protect and rehabilitate public lands; (2) current stewardship of public rangelands is inconsistent with multiple use management and associated negative environmental impacts flourish; and (3) grazing fees do not reflect the full social costs of providing the forage.

Society is becoming increasingly antagonistic to private profit-making uses of public resources, especially when private uses require public subsidies for operation or conflict with other goals of ecosystem management. This antagonism has persuaded federal policy-makers to re-examine resource programs such as mining, timber harvesting, and grazing on public lands. For example, recent bills passed by the U.S. House of Representatives call for grazing fee increases, the abolition of pro-industry Bureau of Land Management (BLM) grazing advisory boards, and the use of grazing fee receipts to finance wildlife habitat and on-site monitoring of ranchers. The U.S. Senate has continually refused to pass the bills.

Although there is intense disagreement over the problems of grazing on public lands and the nature of potential remedies, there is an emerging consensus that the following broad set of precepts should guide modern public land management.

- Management practices for public lands should guarantee those resources will be

available in sufficient quantity and quality for future generations.

- Management practices should assure the sustained provision of nonconsumptive multiple uses such as wildlife habitat, wilderness, and recreation.

- The federal government ought to receive a fair return when public resources are used in private profit-making enterprises.

Despite this emerging consensus—and the fact that many of these precepts can be found in federal statutes, judicial decisions, and policy statements—public lands management continues in accordance with what Wilkinson (an eminent public lands scholar) calls the “lords of yesterday.” He describes them as the “battery of 19th century laws, policies, and ideas that arose under wholly different social and economic conditions but that remain in effect due to inertia, powerful lobbying forces, and lack of public awareness.” In this article we review the history of grazing policy and the current grazing problems. We conclude with a proposal for new grazing policy.

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Moving into a new era of public land use

To promote rapid development of the American West, the federal government subsidized large-scale private consumptive uses of public resources, such as land (General Homestead Act of 1862), minerals (Hardrock Mining Law of 1872), water resources (Reclamation Act of 1902), and grazing (implied consent to customary open-access use). Most commentators agree that these policies speeded western development and have provided enormous benefits for the developers and for some parts of the nation. However, the policies originated during a period when resources were viewed as relatively unlimited, and the negative environmental impacts of consumptive use were not of great concern. These conditions are no longer true, and the 19th century laws, policies and ideas are rapidly losing favor as the nation is forced by resource and environmental limitations to move into a new era of sustainable and multiple-use public resource management.

In the late 1800s and early 1900s the federal government acquiesced to the customary communal use of public grazing land and enacted the Unlawful Enclosures Act of 1885 to forstall early rancher attempts to fence off areas of exclusive use. In the first third of this century, it became obvious that public rangeland vegetation had taken a horrible beating from severe overgrazing. This inspired Congress to pass the Taylor Grazing Act of 1934 which gave the Secretary of Interior more authority to manage grazing on the public lands. Its implementation was heavily

influenced by western livestock interests, but it did authorize the Secretary to divide public lands into grazing districts, and sell ten-year grazing permits "upon payment of a reasonable fee."

The law guaranteed that permits would go only to established ranchers, and that 1934 stock levels would persist. The act was later amended to institute national and local advisory boards dominated by ranchers who, filling the regulatory vacuum created by the woefully underfunded Grazing Service (now the Bureau of Land Management, BLM), exercised great power in determining grazing practices. Range management was singularly dedicated to domestic stock with no provisions for multiple use protection. The grazing fee was set at a level nearly one-third that of the Forest Service (USFS) grazing fee. When the Grazing Service attempted to increase the grazing fee in 1946, western congressmen slashed its budget in half.

Responding to a public conservation movement, the Federal Land Policy and Management Act of 1976 (FLPMA) recognized the continued deterioration of public rangeland and instituted comprehensive long-run federal management of rangeland for sustained yield and multiple use. This was followed by the Public Rangeland Improvement Act of 1978 (PRIA) which reemphasized the overall poor quality of public rangeland and directed the Secretary to institute the Experimental Stewardship Program (ESP) which "provides incentives to, or rewards for, the holder of grazing permits and leases whose stewardship results in an improvement of the range condition of lands

under permit or lease." A coalition of environmental and wildlife organizations convinced a federal court to strike down this program on the grounds that (1) the recommended procedure unlawfully abdicated the Secretary's statutory duty to prescribe stocking numbers and seasons of use; and (2) permit renewal procedures were inconsistent with ongoing governmental authority to cancel, suspend or modify permits on abused allotments (*NRDC v. Hodel*).

The current administration is seeking to again change policy for public grazing. Under consideration are higher grazing fees and an improved method to update the fees over time.

Current issues

There are some very different points of view on many elements in the current debate about grazing policy. Here we summarize and interpret some of the key issues and give an inkling of how they may be approached.

Public subsidy to ranchers

The controversy over grazing fees may be the most heated of existing arguments. Fees for public grazing are far below lease rates for comparable private grazing lands and, in many cases, below the government cost of providing the grazing service. Ranchers precariously argue that livestock production on federal rangeland is an economically important use of public resources, and that ranching on public lands would not be viable if grazing fees were set at market value. Alternatively, some environmental groups want cattle and sheep off the land entirely ("no more

Fees and permit values

The current grazing fee formula was established under the PRIA of 1978. The formula uses a \$1.23 per animal unit month (AUM) base forage value established in 1966, and is adjusted by annual changes in private grazing land lease rates, costs of beef production, and prices received for

beef. Using this formula, the current grazing fee is \$1.92 per AUM, far below private lease rates for comparable forage grazing. Local governments currently share 25 percent of fee collections in lieu of property taxes on public lands. In addition to fees paid for access to

public land grazing, there is a premium paid for the private land of ranchers holding permits for public grazing. This premium or "permit value" is the capitalized value of the returns above all variable costs plus fees paid for using the grazing permit.

moo in '92") and increased fees would help that to happen. Moreover, there is widespread support for bringing the base (forage value) fee up to private market levels, believing this would provide a fair return to the public-owners and fair competition for ranchers who have no public land access.

Extensive cost-of-grazing studies have shown that ranchers, on average, are currently spending as much per unit of forage on public lands (current fees plus costs of use—travel, herding, salting, and so on) as is paid for forage on private lands. Economic theory suggests, therefore, that the value of permits for grazing public lands should be zero, but that is not the case. This leaves some troubling possibilities: our economic models are wrong, ranchers are not profit maximizers, or ranchers benefit from more than forage through the use of the grazing permits. One obvious suggestion does emerge, however. We should cease attempts to discover the "fair market value" of grazing on public lands for setting the optimal grazing fee and focus our attention on more important and productive issues. Not only is the fair market value of the forage difficult to establish without a bidding process, but it is not the most relevant issue to guide the fee structure for public land grazing. We will argue that government costs are a more important criterion for setting the grazing fees.

Land stewardship

Poor stewardship of the public lands intended for multiple use is a highly significant problem (Wilkinson, chapter 3). Past policy has focused, without much

success, mostly on the sustainability of grazing on public lands and gave little attention to the long term viability of other uses. Unfortunately, there is not universal agreement on what constitutes acceptable grazing management in the multiple use setting of public lands. But a new focus on ecosystem management, brought on by endangered species and other environmental problems should help shape future grazing policy.

Efficiency

Most economists agree that the current system of administered allocation of permits and pricing of grazing fees can lead to inefficient resource use. Low, uniform fees and lack of transferability means that some potentially profitable users have no opportunity to bid for and acquire permits. However, we believe that grazing on public lands contributes such a small portion of total livestock production and such small amounts to the federal treasury and local economies in western states that economic efficiency in allocation of grazing rights is a minor issue, and probably should not drive policy.

Equity

Grazing fees are below market value in most cases (Wilkinson, chapter 3). Consequently, land values of permit holders are higher than if government collected the full value of the permit. The strongly held view of the permit holders is that increasing their fees or costs of grazing is inequitable because the real estate value of ranches reflect the capitalized value of the subsidized fee. We argue, however, that public interests also must be consid-

ered. Where is the equity in always holding the private economic interest above the public property right interest? In any case, we consider equity to be a separable issue for appeasement, possible compensation or mitigation, through the political process after an acceptable grazing policy (covering fees, permit allocation, stocking rates, etc.) is in place.

Criteria for grazing policy

A solution to the current dilemma of grazing policy should satisfy three basic criteria: professional acceptability, long-run applicability, and public/political support.

Professional acceptability

Management plans to address multiple use objectives for public lands should be based on the best available scientific evidence from biologists and ecologists. Cost and fee structures for grazing privileges should be derived from economic analyses having acceptance in the economic profession. Ideally, the political process distributing the benefits and costs of grazing policy should be consistent with these standards.

Long run applicability

It is not efficient or equitable to revisit and frequently change grazing policy. Both the public owners and the private users of public lands are better served with a policy that is tractable over time. Fee structures must be predictable but flexible enough to continue meeting the objectives of multiple use on public lands as needs change and information is gathered. Grazing practice must adapt to these changes.

Current plans

New government plans (August, 1993) now include a proposal to increase the grazing fee by about 130 percent over a three year period, with subsequent updating based solely on the value of forage. The fee would remain well below private rates of \$8 to \$12 per AUM. The proposed policy sets national standards

for managing and restoring rangeland ecosystems, including an important feature to eliminate BLM district grazing advisory boards and councils, made up largely of ranchers, to be replaced with broad-based resource advisory councils giving more input from other public land user interests. Other

features include a ten year tenure on permits, government ownership of permanent range improvements and water rights, and new rules for disqualification, appeals and imposing penalties. If adopted, the new plan will eliminate some of the major problems of current policy.



Public/Political support

Grazing policy must account for, in some fashion, major public concerns including: equity for current permit holders; protection of local economies and public services that are served by shared grazing fees and the business of prosperous ranchers; government budget needs; protection of natural resources and the environment; and administrative workability.

A simple and workable grazing policy will unlikely meet all of the evaluation criteria equally well, some choices will be necessary.

A policy proposal

We have outlined the major problems with current grazing policy. The formula for setting fees is focused on forage value, but even that is flawed and does not remain current over time. The result is a public perception that ranchers receive a subsidy in the form of undervalued forage. Past grazing policy has focused primarily on management for grazing rather than broader concerns of multiple use responsibility (ecosystem management). Moreover, government budget constraints have left the BLM and USFS with inadequate funding to properly plan and monitor public land management for grazing within the multiple use concept. Long run social responsibility for public lands management is not being properly served.

Our proposal for a new grazing policy on public lands holds to the position that grazing on public lands is a privilege, not a right, and should remain so (Taylor

Grazing Act). Management responsibility of public lands should remain in the hands of the public. This responsibility includes planning, monitoring and enforcement of public land uses to achieve multiple objectives. Our simple structure for grazing policy primarily addresses the two major issues of stewardship and grazing fees. Remaining issues are raised as matters of less importance or steps of transition to a new equilibrium.

Land Stewardship

Land stewardship that is consistent with multiple use management of public lands is the most important long term goal to be served by grazing policy. Moreover, the public-goods nature of many legislated multiple uses (endangered species protection, riparian management, water quality, etc.) renders their provision through private interests economically infeasible. The breadth of public uses on grazing units of the West encompass all of the purposes of public land ownership, including most forms of outdoor recreation, protection of environmental quality, and species protection. Multiple uses also include other economic uses such as forestry and mining. The federal government's public trust responsibility for these lands (FLPMA) cannot be legally abdicated to any subset of private interests, including western ranchers (*NRDC v. Hodel*).

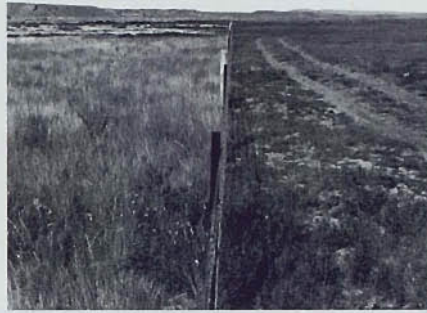
Land management plans consistent with the public interest should begin at the broadest possible (ecosystem) level. Planning for individual grazing management units (watersheds, areas with natu-

ral or political boundaries, and so on) should then be required to fit within the broader requirements for the multiple use objectives of public lands management. Management plans for grazing units should be developed both with and without grazing. The environmental impact and administrative cost of acceptable grazing in the multiple use setting can then be determined for each alternative plan.

Grazing fees

The management objectives for private grazing lands and for public lands that include grazing differ and there should be no expectation that costs of grazing on the two are equal. Moreover, acceptable stocking rates, grazing practices, and administrative costs will differ among the defined public grazing units. Our grazing policy would set minimum fees for each delineated grazing unit at the added public cost incurred to accommodate grazing in the multiple objective framework, as determined in the with/without comparison. The public costs of grazing service should include the additional cost components for protecting or mitigating damage to multiple uses as well as the costs for administering the grazing program (e.g., allotment planning and inventory, use supervision and management, and program management).

The administration cost components were estimated to be \$3.21 and \$3.24/Annual Unit Months (AUM) for BLM and USFS, respectively in 1990 (USDA/USDI). Similar estimates for 1992 were \$2.18 and \$2.40/AUM, respectively, for the two agencies. We believe that these estimates understate costs that would exist with adequate multiple use management, since current planning and monitoring of public grazing is considered to be inadequate due to the limited budgets of these agencies. Hence, it is likely that the full cost of grazing (minimum fee) established in this manner would exceed current fees, on average, and would become prohibitively high for some grazing units. That is an indication, however, that



grazing has strong conflicts with multiple use objectives in some areas and probably should not exist. Nonuse is a necessary reallocation of public resources to meet legally-mandated multiple-use requirements (FLPMA). We believe that the majority of existing grazing permits would continue to be viable under this proposal, though stewardship would necessarily meet desired standards.

Efficiency/Equity

Following this procedure, the issue of rancher subsidy is settled because the full public cost to accommodate grazing is paid by the rancher. The difficult problem of establishing forage market value is avoided because it does not enter the minimum cost calculation. Equity is addressed, at least partially, because ranchers pay only for the public costs imposed by grazing on the public land. Payments to local government (in lieu of property taxes) could continue through this approach. Though current grazing permit (market) values would be changed as minimum fees are increased, we include no explicit provision for compensation or mitigation of decreased permit values. Actual fees under this approach would likely be lower than if private lease rates for grazing (\$8-\$12/AUM) were used.

Opening the permits for each grazing unit to competitive bidding, disengaging them from appurtenance to owned land, could be used to address the efficiency issue. The minimum acceptable bid would still be the cost of service. First refusal for permit bids could be reserved for current permit holders. Surplus for-

age value, if any, would then be fully recovered through the bidding process. To address the efficiency issue in this manner leaves the question of what to do about permit values that would, presumably, be reduced to zero by the bidding process. When is compensation obliged?

Incentive measures

Finally we comment on proposals for an incentive program wherein up to 75 percent of the grazing fee (however determined) is forgiven if grazing stewardship meets resource planning objectives. We argue strongly against this option. All government responsibilities and costs for planning, monitoring, and policing would still be necessary to meet emerging multiple use standards. Why then reduce the grazing fee for stewardship that should be expected for the established fee? The history of grazing policy management suggests that every grazing permit would soon be declared qualified for fee reduction and actual revenue collections would decrease from present levels, without significant improvement in stewardship. Public opposition to the incentive option caused Secretary Babbitt to omit this feature from the most recent (August, 1993) grazing policy proposal.

Conclusion

We propose the broad outlines of a new grazing policy designed to satisfy three basic criteria: professional acceptability, long-run applicability, and public/political support. Public lands are managed for

the long term multiple objectives of society employing the best possible scientific evidence and economic practice. Hence, livestock grazing is viewed as an acceptable public land use if the value of grazing exceeds the costs of managing the grazing activity and protecting other public values in the land. The best way to assure this socially efficient condition is to set minimum grazing fees equal to the imposed costs. Allotments that are expensive to manage and maintain for multiple purposes will have high fees to restrict use unless the value of grazing on that unit is equally high. Long run applicability is promoted by designing the fee structure to be predictable but sufficiently flexible to satisfy multiple use needs in the face of changing bioeconomic circumstances. Public/political support is generated by ensuring that the fees collected cover the full costs of grazing administration while maintaining other public values. Ranchers would not be subsidized either directly, through budget outlays for BLM or USFS grazing programs, or indirectly, through losses of valued natural resources and environmental qualities. ■

■ For more information

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