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MORATORIUM ON GRAZING FEES ON PUBLIC LANDS

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HEARING

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BEFORE THE

SUBCOMMITTEE ON

PUBLIC LANDS AND RESOURCES

OF THE

COMMITTEE ON

ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 2297

A BILL TO AMEND PUBLIC LAW 94-579

S. Res. 311

RESOLUTION RELATING TO GRAZING FEES ON PUBLIC LANDS

JANUARY 30, 1978

Publication No. 95-147

Printed for the use of the
Committee on Energy and Natural Resources



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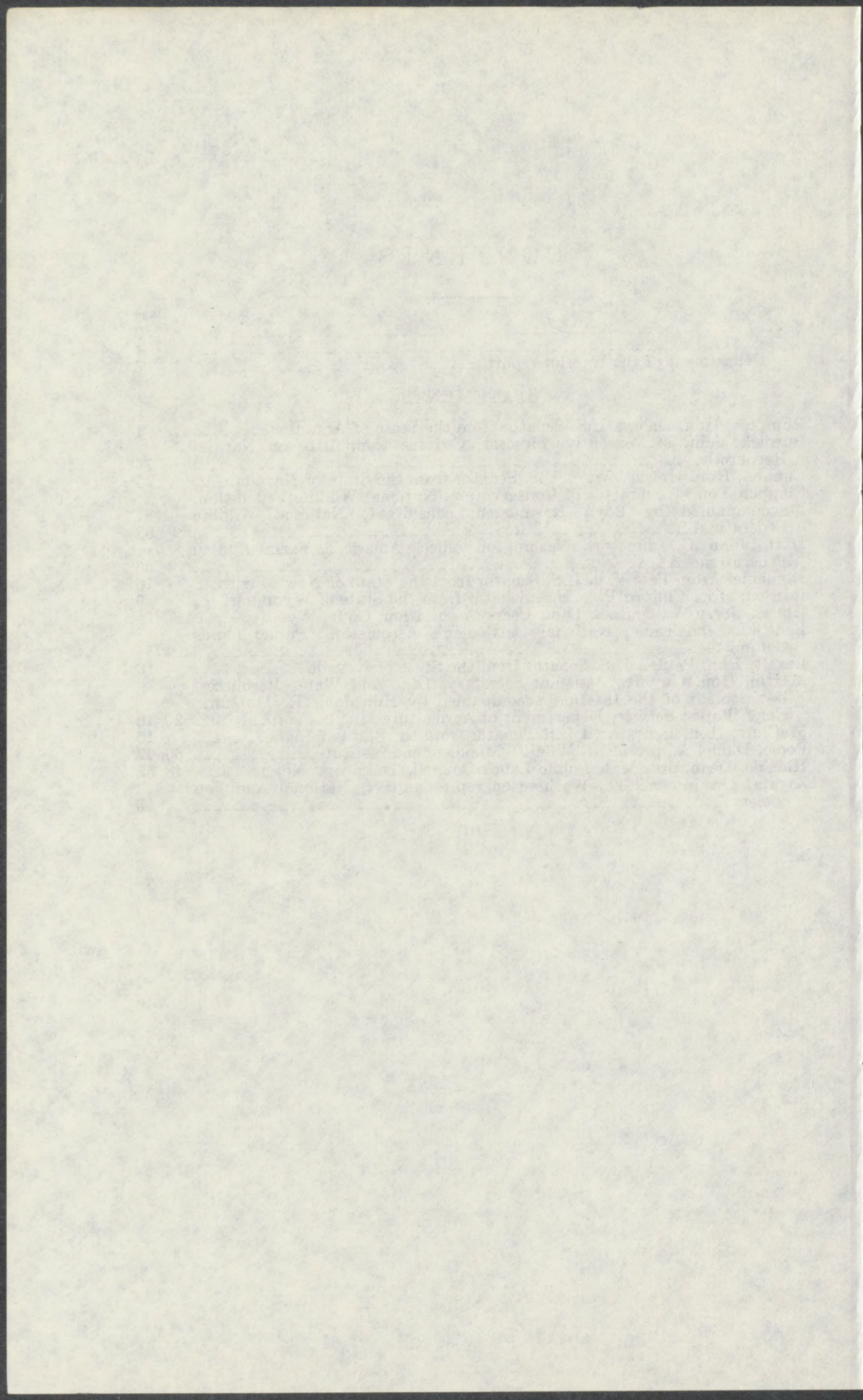
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MORATORIUM ON GRAZING FEES ON PUBLIC LANDS

MONDAY, JANUARY 30, 1978

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS AND RESOURCES,
OF THE COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 3110, Dirksen Office Building, Hon. Dale Bumpers, presiding.

Present: Senators Bumpers, Matsunaga, Hansen, McClure, Domenici, and Laxalt.

Also present: Steven Quarles, counsel.

OPENING STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Senator BUMPERS. The subcommittee will come to order.

Today's hearing before the Public Lands and Resources Subcommittee concerns two measures which would place a moratorium on the increase in public land grazing fees scheduled for the 1978 grazing season, S. 2297 and Senate Resolution 311.

The effort to establish public land grazing fees which charge private users of the public's forage resource fair market value for that resource has been lengthy. The principle of fair market value pricing for grazing permits was adopted by the executive branch with the publication in 1959 of Bureau of the Budget circular A-25. The Congress embodied the principle in law in section 102(2)(9) of the Federal Land Policy and Management Act of 1976.

Implementing this principle has been a far more different matter, however. In 1968, Secretary of the Interior Stewart Udall announced the application of a fee formula which would have achieved fair market value by 1978. This schedule has been interrupted by four full or partial 1-year moratoria on grazing fee increases. Implementation has also been burdened by a continuing disagreement on how fair market value is to be defined.

As we will learn today, moratoria and definitional problems are still with us. The Federal Land Policy and Management Act established the most recent moratorium for the 1977 grazing season. It also directed the Secretaries of the Interior and Agriculture to conduct a study of grazing fees. That study was submitted to the Congress on October 21, 1977. The Secretaries agreed to a formula for establishing fees similar to the Udall formula and proposed to reach fair market value by raising the fees over a 4-year period by 25 percent increments. In 1978, the fees would be raised by less than would have occurred under the Udall formula.

There remains, however, disagreement over the basis of the formula proposed by the Secretaries for establishing the fees. That formula is important because it will serve as a precedent for pricing other publicly owned resources on the public lands. The dispute over that formula, together with difficult economic conditions for public lands graziers, are reasons cited by those who favor imposition of another moratorium for the 1978 grazing season.

As we work on these moratorium measures we must bear in mind that they are more than they seem for they are forerunners of additional legislation—bills calling for additional moratoria in future grazing seasons or bills to establish statutorily a new grazing fee formula.

At this point I will insert in the record the text of S. 2297, S. Res. 311 and the department report.

[The bills and report follow:]

95TH CONGRESS
1ST SESSION

S. 2297

IN THE SENATE OF THE UNITED STATES

NOVEMBER 4 (legislative day, NOVEMBER 1), 1977

Mr. CANNON (for himself, Mr. McCLURE, Mr. WALLOP, Mr. LAXALT, Mr. GOLDWATER, Mr. DOMENICI, Mr. GARN, Mr. HANSEN, and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

A BILL

To amend Public Law 94-579.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 401 (a) of the Federal Land Policy and Man-
4 agement Act of 1976 (Public Law 94-579; 43 U.S.C. 1701,
5 et seq.) is amended by adding at the end thereof the follow-
6 ing new sentence: "In order to allow Congress sufficient
7 time to analyze the Secretaries' report and recommendations
8 and take such action as may be appropriate, neither Secre-
9 tary shall increase the grazing fee for the 1978 grazing
10 year."

II

95TH CONGRESS
1ST SESSION

S. RES. 311

IN THE SENATE OF THE UNITED STATES

OCTOBER 28 (legislative day, OCTOBER 21), 1977

Mr. WALLOP (for himself, Mr. McCLURE, Mr. HANSEN, Mr. ABOUREZK, Mr. CANNON, Mr. DeCONCINI, Mr. DOMENICI, Mr. GARN, Mr. GRAVEL, Mr. HATCH, Mr. HAYAKAWA, Mr. LAXALT, Mr. MCGOVERN, Mr. SCHMITT, Mr. STEVENS, and Mr. YOUNG) submitted the following resolution; which was referred to the Committee on Energy and Natural Resources

RESOLUTION

Relating to grazing fees on public lands.

Whereas the Department of Agriculture and the Department of the Interior have announced a proposed new formula for computing fees to be charged for the grazing of livestock on public lands; and

Whereas the new formula will result in an additional cost of approximately \$6,000,000 to grazing lease holders; and

Whereas the new formula will have devastating consequences on a substantial segment of the agricultural industry that is already facing severe economic problems; and

Whereas the announced new formula does not reflect the 1976 findings and recommendations of the interagency committee, known as the Technical Committee Organized to Review

Public Land Grazing Fees which was established for the purpose of studying the fee structure for grazing on public lands: Now, therefore, be it

1 *Resolved*, That it is the sense of the Senate that the
2 Secretary of Agriculture and the Secretary of the Interior
3 should, and are hereby urged and requested to, impose, with
4 respect to any increase in the charges currently being made
5 for grazing livestock on public lands, a moratorium for such
6 a period as may be necessary to permit the appropriate
7 committees of the Congress a reasonable opportunity to hold
8 hearings on the proposed new formula.

9 SEC. 2. The Secretary of the Senate shall transmit copies
10 of this resolution to the Secretary of Agriculture and the
11 Secretary of the Interior.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JAN 27 1978

Honorable Henry M. Jackson
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, D. C.

Dear Mr. Chairman:

This is in response to your request for the views of this Department on S. 2297, a bill "To amend P.L. 94-579" and S. Res. 311, a Resolution "Relating to grazing fees on public lands."

We oppose the bill and the resolution.

S. 2297 would amend Section 401(a) of the Federal Land Policy and Management Act of 1976 (P.L. 94-579, 43 U.S.C. 1701 et seq.) ("FLPMA") by adding a provision prohibiting the Secretaries of Agriculture and the Interior from increasing grazing fees on public lands for the 1978 grazing year. S. Res. 311 urges the Secretaries of Agriculture and the Interior to impose a moratorium on any increase in grazing fees in order to permit the appropriate committees of Congress to hold hearings on the formula for setting grazing fees which the Secretaries have proposed. Enactment of these measures would prevent implementation of the procedures recommended by the Secretaries for the 1978 year and would again postpone action on a problem which has been studied and debated for over 70 years.

On October 21, 1977, as required by Section 401 of FLPMA, the Secretaries of Agriculture and the Interior submitted to Congress a report containing their recommendations on the fee to be charged for grazing livestock on the public lands. The recommendations were straightforward. They called for: (a) continued use of the 1966 base fair market value of \$1.23 per animal unit month; (b) continued use of the private grazing land rental rate as a basis for annual adjustments of fair market value; (c) adjustment of grazing fees from current levels to fair market value with a 25 percent limit on the annual increase; (d) once grazing fees are at the fair market value level, limitation of the amount of change in any one year to a plus or minus 12 percent of the fee charged the previous year; (e) under specified conditions, establishment of a limited variable fee starting in 1980 for a certain size-age livestock category; and (f) continued review and refinement of data used to determine annual change in grazing fees.

On November 23, 1977 the Secretaries' recommendations were published in the Federal Register as proposed rulemaking. The 90-day period for public comment ends February 21, 1978.

Implementation of the Secretaries' recommendations would result in an increase in fees in 1978 from \$1.51 per animal unit (AUM) on BLM lands and \$1.60 on Forest Service lands to \$1.89 per AUM. If the recommended fee procedure is adopted, about 72 percent, or 18,000 of the 25,000 permittees who use public lands, will have an average \$60 increase in their 1978 grazing bill. About 1.5 percent, approximately 380 of the largest operators will experience an average increase of about \$3,800. We wish to point out that grazing fees constitute an average of only 3-8 percent of the cost of livestock production.

If the Secretaries' fee recommendations are adopted, grazing revenues will increase by about \$6 million in 1978, bringing the total to about \$34 million. At least 62.5 percent of the grazing revenues will be returned to the Western States to be used for the benefit of the public lands or as support for local government budgets.

The Secretaries decided, after a year-long study by the two departments, after the commitment of considerable effort and money, after evaluating public comments, and after extensive review, that a system which relates the cost of grazing on public lands to that on the private lands is the most direct, accurate, and equitable measure of fair market value - a fundamental requirement if the system is to be consistent with the declaration of Congressional policy in Section 102(a) (9), P.L. 94-579 that "the United States receive fair market value of the use of the public lands and their resources..."

The procedure recommended for arriving at fair market value recognizes and makes allowances for the difference in costs between using private lands as compared to public lands; it recognizes and makes allowances for the added restrictions and requirements imposed on permittees on public lands; and it uses, wherever possible, conservative values most beneficial to permittees to account for these differences.

The result is a system that sets the fair market value for grazing on public lands at \$2.38 per AUM in 1978 using the average private leasing rate in the eleven Western States of \$7.06.

In Section 401(a) of FLPMA Congress directed that in their study the Secretaries "shall take into consideration the costs of production..., differences in forage values, and such other factors as may relate to the reasonableness of such fees." It is clear from the report submitted to the Congress by the Secretaries that systems for arriving at a fee schedule based on these factors were considered

at length by the task force and the Secretaries. Section 401 does not state that the system for arriving at the value of grazing must be based on production costs. Instead, it requires the Secretaries to study, to consider, to use their best judgment, and to make a decision in the form of a recommendation, all in the context of meeting the fair market value objective in an equitable and reasonable manner--equitable and reasonable to those who use the grazing resource and to the general public that owns the land. This task has been completed on schedule and, in our opinion, as directed.

Unless Congress expresses non-concurrence with our recommendation by enacting new legislation establishing a specific fee schedule or some system other than fair market value for establishing fees, we believe the Federal Land Policy and Management Act of 1976 requires implementation of the Secretaries' recommended fee schedule or a fee schedule based on the 1969 system. Without enactment of such legislation, we believe implementation of our recommended fee schedule is preferable to the 1969 system.

Although this Department is aware of the feelings and concerns which have led to calls for a delay in implementing the grazing fee recommendations, we believe that a statutory prohibition on implementation of the Secretaries' recommendations in 1978 will merely postpone resolution of a problem which has gone unsolved for too long. We, therefore, oppose enactment of S. 2297 or passage of S. Res. 311.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

James A. Joseph
Acting SECRETARY

Senator BUMPERS. Senator Hansen, do you have a statement you wish to make?

Senator HANSEN. Mr. Chairman, I do have, thank you very much, sir.

STATEMENT OF HON. CLIFFORD P. HANSEN, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator HANSEN. Mr. Chairman, let me welcome you to one of your first official duties as chairman of this very important subcommittee. As you and I both know, the former chairman, our great friend Lee Metcalf, did yeoman service in guiding this subcommittee's work which resulted in several important laws that guide what will be done on the public lands.

Without Lee's efforts there would not have been a Strip Mining Reclamation bill nor a BLM Organic Act. I look forward to your leadership on this subcommittee in working together to make the proper land use decisions.

Again, congratulations on your appointment as chairman.

The Departments of the Interior and Agriculture have in the past set grazing fees for the public lands from the authority given by the Taylor Grazing Act, 43 USC 315. Since 1969, a formula has been in operation which has taken into consideration most of the operating costs incurred by private and public land graziers, with an adjustment being given for the private lease rate.

However, both Departments have proposed and will implement increases in the fee as high as 25 percent unless Congress takes other action. This is in times when beef prices have been systematically decreasing according to the USDA, and when many range improvements have been delayed, restrained, or halted due to the court suit, *NRDC v. Morton*.

There is a great debate on the degree of range improvements that is permissible. A 10-year wait while 212 environmental impact statements are being prepared has held up needed range improvements. Graziers have paid a part of their fees into range improvement funds. Permittees are being forced to pay more at a time when they can ill afford it and when the fees that are applicable to the range improvement fund cannot be spent.

In 1973, total net farm income in the State of Wyoming was \$123.7 million, and net income per farm was \$14,788. By 1976 these figures had declined so that total net farm income for Wyoming was \$1.9 million and net income per farm was down to only \$241.

According to USDA's Economic Research Service, total and individual net income figures for these 4 years are as follows:

Year	Total net farm income— Wyoming	Net income per farm— Wyoming
1973	\$123,700,000	\$14,788
1974	61,700,000	7,530
1975	14,200,000	1,751
1976	1,900,000	241

It is at a time such as this that the range forest index, which is used to compute present fees, is so inaccurate—that is, when prices of beef are low, owners tend to hold livestock they would ordinarily market, adding more cattle on a finite amount of land. This tends to drive the price of private grazing land up. The cost of private land is used as a comparative base to compute public fees; yet often, this is inaccurate since it may reflect increased numbers of cattle on hand due to distressed market conditions.

After careful analysis of this continuing situation, I have, with many cosponsors, offered amendments and bills which address the issue to bring equality in determining grazing fees.

Title IV on range management of the Federal Land Policy and Management Act of 1976 directed the Secretaries of Agriculture and Interior to conduct a—

Study to determine the value of grazing on the lands under their jurisdiction in the 11 Western States with a view to establish a fee to be charged for domestic livestock grazing on such lands which is equitable to the United States and to the holder of grazing permits and leases on such lands.

In making such a study, the Secretary shall take into consideration the cost of production normally associated with domestic livestock grazing in the 11 Western States, differences in forage values and other factors as may relate to the reasonableness of such fees.

The Secretary shall report the result of such a study to the Congress not later than 1 year from, and after the date of, approval of this Act (which was October 1st), together with recommendations to implement a reasonable grazing fee schedule based upon such a study.

Section 402(h) says:

Nothing in this Act shall be construed as modifying in any way law existing on the date of approval of this act with respect to the creation of right, title, interest or estate in or to public lands or lands in the National Forest by the issuance of grazing permits and leases.

I quote the act because I firmly contend that the cost of permit in the sale of ranches in the 11 Western States is included in the sale price and is a cost of doing business. The permit, in effect, has been allowed to accrue chattel value and is a legitimate cost of production. Along with 25 other Senators, I urged the task force and both Secretaries to include the cost of permit acquisition in the cost of production for that purpose only and that no right or title or interest should convey.

I wish to include that letter in the hearing record. They chose not to include the cost of permit acquisition in their determination of grazing fees. But, the fact should be recognized. It is a matter of equity.

Section 412(h) does not preclude the cost of permit being included in a determination of a cost of production but simply reaffirms what the Taylor Grazing Act said, that there is no value by law. I urge Congress to address this issue, to seek an equitable answer because I believe there is a public good served by grazing the public lands at a fair cost.

I quote from the paper done for the Council for Agricultural Science and Technology, Report 23, January 22, 1974, Livestock Grazing on Federal Lands in the 11 Western States:

Almost half of the land area in the 11 Western States is federally owned. Domestic livestock graze on 73 percent of this area. Federal land is estimated to

supply 12 percent of all grazing resources in the region and to provide the equivalent of the feed required year-long for 1.7 million head of cattle and 1 million head of sheep. These grazing lands provide energy, water, minerals, recreation opportunities and wildlife, in addition to grazing for domestic animals.

The forage on Federal lands represents a renewable natural resource and economic source of feed for production of cattle and sheep. Loss of the products of grazing currently derived from Federal lands would increase the scarcity of feed, meat and wool.

The mounting demands for both grain crops and meat point to an increase and importance of forage on both private and public lands to support the beef and sheep industries. Elimination of grazing from the Federal range lands in the 11 Western States would require a shift of animals to other lands or would result in loss of these animals from the productive pool.

More animals on non-Federal lands would require more intensive use of private range land, acreage increases in pastures, harvested forage and feed grains; more acres in cultivation and greater dependence on feedlot feeding in meat production. Only limited acreage is available for development of additional intensive pastures in the United States.

The alternatives to less grazing on Federal range lands appears to us to be wasteful of natural resources and uneconomical for the producers dependent on these lands unless prices of meat and wool were to be increased considerably. Small communities in subsistence type livestock operation within large areas of Federal grazing land would suffer most if grazing on Federal lands were eliminated.

The grazing of herbage has been a natural process on grasslands, shrublands and forests, for as long as grazing animals have existed. The effect of grazing on the range environment depends upon the kind of vegetation, the intensity of grazing, the kind of animals and the degree of management employed to control the animals.

Experiments and widespread experiences show that moderate and planned grazing restores protective vegetational cover on deteriorated ranges, thereby reducing accelerated erosion and improving wildlife habitats. Most range land is better suited to all types of use today than it was before 1950.

I would like two letters included in the hearing record. The first is a letter to President Carter signed by 21 of my colleagues in the Senate and myself urging the President to declare a moratorium of 1 year to allow Congress to further address the issue. The second letter is from Gov. Ed Herschler of Wyoming to the Director of the Bureau of Land Management and the Chief of the U.S. Forest Service opposing the proposed rules on grazing fees.

I would also like to ask that a statement of Jerry W. Housel of Cody, Wyo., be included in the record. Mr. Housel knows this issue from many sides and is, in my opinion, an expert witness. First he is a rancher. His Bar TL Ranch covers 70,000 acres with 27,000 acres deeded and 43,000 acres of State and Federal permits and leases including a Forest permit. He runs about 1,100 cattle and 3,000 sheep. He is an attorney and represents the newly formed Land Users Association in the Big Horn Basin, a group of public land users in four Wyoming counties. He is a past president of the Wyoming State Bar Association and a past chairman of the State Board of Law Examiners. He is also a former director of the American Judicature Society. He is a banker and sits on the Board of the Wyoming Bank Corporation with 18 affiliates in Wyoming. He is a member of the Wyoming State Investment Council. This Council advises the State Treasurer on investing State funds. He is, I might add, Mr. Chairman, the Democratic National Committeeman from Wyoming.

Senator BUMPERS. Those will be included without objection.

[The information follows:]

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C., November 2, 1977.

HON. JIMMY CARTER,
The White House
Washington, D.C.

DEAR MR. PRESIDENT: On October 21, 1977, Secretary of the Interior Andrus and Secretary of Agriculture Bergland released the report, "Study of Fees for Grazing Livestock on Federal Lands."

Prepared in response to section 401(a) of the Federal Land Policy and Management Act of October 21, 1976, this study recommends 25 percent annual increases per animal unit month grazing fees until the "fair market value" for these fees for use of the public lands is reached. After such time as the "fair market value" is established, costs of these fees will increase or decrease at a maximum annual rate of 12 percent to keep pace with fees charged for use of private lands.

While the pros and cons of this plan can be argued at great length, the fact remains that the United States livestock industry has been undergoing the adverse effects of four years of the worst economic depression in its history. Coupled with the massive problems created by the year-long Western drought, this economic depression has forced thousands of stockmen to liquidate large portions of their herds, incur huge debts with local lending institutions, and refinance their property again and again just to stay in business.

Mr. President, a great many more producers haven't been quite so lucky—through no fault of their own, they've been forced out of the livestock business altogether. This serious situation points to the obvious conclusion that any increase in fees for grazing on the public lands in 1978 will do nothing but spell further catastrophe for the U.S. livestock industry. It is clearly not in the best interest of the industry, the American consumer, or this country as a whole to allow any raising of fees for grazing on the public lands to take place within the next year.

Therefore, Mr. President, we strongly urge that you exercise your administrative prerogative and declare a freeze of public lands grazing fees at their 1977 levels for the upcoming 1978 grazing season. Your consideration and assistance in this serious matter is greatly appreciated.

Sincerely,

James A. McClure, Dennis DeConcini, Milton R. Young, Harrison Schmitt, Edward Zorinsky, Paul Laxalt, Mike Gravel, S. I. Hayakawa, Clifford Hansen, Orrin Hatch, Robert Dole, Ted Stevens, Howard Cannon, Jake Garn, Pete Domenici, Carl Curtis, James Abourezk, Mark Hatfield, Malcolm Wallop, George McGovern, Bob Packwood, Barry Goldwater, U.S. Senators.

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C., July 18, 1977.

HON. BOB BERGLAND,
Secretary, U.S. Department of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: Title IV on Range Management of the Federal Land Policy and Management Act of 1976 directed the Secretaries of Agriculture and Interior to conduct a "study to determine the value of grazing on the lands under their jurisdiction in the 11 Western States with a view to establish a fee to be charged for domestic livestock grazing on such lands which is equitable to the United States and to the holder of grazing permits and leases on such lands. In making such a study, the Secretary shall take into consideration the cost of production normally associated with domestic livestock grazing in the 11 Western States, differences in forage values and other factors as may relate to the reasonableness of such fees. The Secretary shall report the result of such a study to the Congress no later than one year from, and after the date of approval of this act together with recommendations to implement a reasonable grazing fee schedule based upon such a study."

Section 402(h) says: "Nothing in this act shall be construed as modifying in any way law existing on the date of approval of this act with respect to the creation or right, title interest or estate in or to public lands in the National Forest by the issuance of grazing permits and leases."

We quote these sections because we firmly contend that the cost of permit in the sale of ranches in the 11 Western States is included in the sale price and is a cost of doing business. The permit, in effect, has been allowed to accrue chattel value and is legitimate cost of production.

We would urge you to include the cost of permit acquisition in the computation of the cost of production for that purpose only and that no interest or right of title should convey. It is a matter of equity.

Section 412(h) does not preclude the cost of permits being included in the determination of the cost of production but simply reaffirms what the Taylor Grazing Act said, that there is no value by law.

We appreciate your consideration of this request.

Kind regards,

Sincerely,

Clifford P. Hansen, Frank Church, John Melcher, Edward Zorinsky, Alan Cranston, Carl T. Curtis, Bob Dole, Howard W. Cannon, Harrison Schmitt, Barry Goldwater, Henry M. Jackson, Mark O. Hatfield, Jake Garn, Ted Stevens, Quentin Burdick, Orrin Hatch, Pete Domenici, Warren Magnuson, James McClure, Paul Laxalt, Bob Packwood, Dennis DeConcini, Milton Young, S. I. Hayakawa, Lee Metcalf, George McGovern, Floyd Haskell, U.S. Senators.

WYOMING EXECUTIVE DEPARTMENT,
Cheyenne, December 7, 1977.

DEAR SIR: I am opposed to the proposed rules on grazing fees in the November 23, 1977, Federal Register, 36 CFR. I differ with the analysis in proposed Section 222.5(a)(2), which concludes that the documents in question establish the basis for a policy that a fair market value shall be obtained for the use of public resources. The authority cited for this proposition is 31 U.S.C. 483a, OMB Circular A-25, the Federal Land Policy and Management Act of 1976, a House Appropriations Committee Report of 1977, and the October, 1977, grazing fee study by the Secretaries of Agriculture and the Interior.

I find nothing in the Appropriations Committee report which supports the policy of collecting fair market value for public lands or forest grazing.

As for the other documents, the most important ones are the statutory declarations of Congress. Our system of government is based upon the idea that executive agencies are to implement the directives of Congress. The most recent and specific pronouncement of Congress is in the 1976 Act. Congress directed a study to establish a grazing fee which is "reasonable and equitable." Receipt of fair market value through grazing fees is not required.

The only other Act of Congress cited is 31 U.S.C. 483a. This law was enacted in 1952 and is applicable to dispositions of federal property generally. It does not specifically mention grazing fees.

Also relevant is the Taylor Grazing Act of 1934, which directs the Secretary of the interior only to charge "reasonable" grazing fees.

Congressional disapproval of the "fair market" concept is further evidence by passage of moratoria on four separate occasions since the Bureau of the Budget enacted the accelerated fee schedule in 1969.

In 1976, the House of Representatives approved a formula which would have produced fees in 1977 of \$1.24 and \$1.02 per AUM on two separate land classifications. This is far below the \$2.15 fee which would have resulted from the 1969 "fairmarket" formula in the absence of Congressional intervention.

Thus, Congress has never endorsed the "fair market" approach to grazing fees but has expressed a preference for a different approach on numerous occasions.

Yet, the bureaucracy continues to defy Congress and the public, as evidenced by the most recent public comments referenced in the 1977 grazing fee report. The only support cited for the "fair market" approach is that generated by bureaucratic publications. Even OMB Circular A-25 does not specify grazing fees.

This leaves us with only the 1977 grazing fee report. It is highly improper to suggest that this report, prepared pursuant to a Congressional order to establish an "equitable" fee, can "provide the basis for a policy that a fair market value shall be obtained for the use of the public resource." The 1977 grazing fee report was not to be a policy document—Congress had already set the policy. I am greatly disturbed by this assumption that the executive branch can proceed on a course at variance with that set by Congress.

I also take issue with proposed section 222.5(a)(3), that permit values shall not be considered in determining grazing fees. Again, this ignores the Congressional order in the 1976 Act that grazing fees take into account costs of production. Permit value is a significant part of such costs.

The proposed regulations further contravene the Congressional directive to establish an "equitable" fee. Given the present state of farm income, it is in no way equitable to propose a 25 percent fee increase. Total net income from farming and ranching in Wyoming was only \$1.9 million in 1976, down from \$121 million in 1973 and the lowest of record dating back to 1949. Production expenses were at a record high and now the Federal Government proposes to increase them even further.

This is all the more reason why the department of Agriculture is incorrect in determining that economic and environmental impact statements are not required before implementing this proposal.

The 1977 grazing fee report outlines a number of approaches superior to the one proposed. The formulae of the Technical Committee, American National Cattlemen's Association, House Interior Committee, and American Farm Bureau federation would all produce a fee which is more reasonable and equitable than this proposal.

Yours Sincerely,

ED HERSCHLER, *Governor.*

STATEMENT OF JERRY W. HOUSEL, COUNSEL, LAND USERS' ASSOCIATION,
CODY, WYO.

Mr. Chairman, my name is Jerry W. Housel. I head the law firm of Housel and Webster in Cody, Wyoming. I am counsel to the Land Users' Association in the Big Horn Basin of Wyoming, a four-county organization which represents the interests of paying users of public lands administered by the Bureau of Land Management in Wyoming. I have also represented the Wyoming Stock Growers Association and the Wyoming Wool Growers Association on matters affecting grazing regulations for public lands.

I am also a rancher, a banker, and a business man, and my involvement in these several related areas has convinced me of the need for a moratorium on any grazing fee increase in 1978.

The primary reason I feel such a moratorium is necessary is that the livestock industry is so depressed at this time that a fee increase would only worsen an already critical situation. Simply stated, the problem facing livestock producers is that for the past several years, their expenses have exceeded what they have received in income. They're losing money. A fee increase would add to their costs, and there just isn't the increased income to pay for a fee increase.

Agriculture Department records show since 1974, commodity prices have fallen 4.8 percent. During that same period, production costs rose 23 percent. I'm certain everyone on this committee realizes that no one can abide such conditions for very long without insolvency.

The serious problems of livestock producers, combined with those of producers of other commodities, have placed a tremendous burden on the economy of the West. The stability of many communities in states like Wyoming is dependent on a healthy agricultural industry, and in Wyoming, livestock is the essential part of agriculture. When farmers and ranchers are hurting, as they are now, many others are hurt, as well. In agricultural communities, the equipment dealers, the bankers, the fertilizer dealers, the clothiers, and all others whose customers are farmers and ranchers, are adversely affected when the agricultural industry suffers the kind of economic hardship that is prevalent today. Our agricultural statistics dramatically tell the story of what has happened to my state's agricultural economy. In Wyoming, the average net income per farm received by individual farmers—and in Wyoming, the predominant agricultural industry is livestock production—the net income per farm in 1973 was \$14,788. But by 1976, net income per farm for Wyoming farmers and ranchers had dropped to an incredible \$241.

Banks and lending institutions all over my state, and in other agricultural states, are faced with very serious problems because of the depressed livestock industry. Producers have mortgaged their lands in order to try to bridge the gap between income and expenses. Almost every bank in Wyoming is facing problems with livestock loans, and this adversely affects the ability of banks to take care of financial needs of other areas of the economy.

The younger livestock producers who are relatively new at the business are in the most danger because they don't have enough equity to weather the storm. This is a most unfortunate situation because the average age of farmers in this country is somewhere in the 50s, and we need to attract young people to this vital industry.

Mr. Chairman, in the public lands states of the West, the economic well-being of the livestock industry is directly related to the management of the public lands. As all of you know, vast areas of the West belong to the government—in my state, almost half of the total land area is federally owned, and Wyoming's economy is inextricably linked with public lands management policy.

Right now, Mr. Chairman, the livestock industry is so depressed that any action which has the effect of increasing costs will mean certain insolvency for some producers. Moreover, such an action would reverberate throughout rural communities where citizens are dependent on the livestock industry for their livelihoods.

We have all read and seen here in Washington concrete demonstrations of the serious problems facing agriculture and the efforts of farmers and ranchers, to find a solution that will help them save their farms and homes. I don't know what the answer is to this problem, but I do know that one thing the government could do right now to help would be to refrain from adding to the already crushing burden of costs being shouldered by livestock producers.

An additional reason for enacting this moratorium is to give Congress more time to develop a formula for fixing grazing fees on public lands.

Heretofore the effort to do this has come primarily from the administrative agencies who have not carried out the original intent and purpose of the Taylor Grazing Act.

Such a formula should incorporate an equitable reference to ranchers investment costs as well as current operating income and expense. I believe Congress can best insure a formula which reflects these essential elements.

I strongly urge this subcommittee to act favorably on this bill to hold off for at least one year on any increase in fees for grazing livestock on the public lands.

Thank you, Mr. Chairman.

[Telegram]

WYOMING WILDLIFE FEDERATION,
January 28, 1978.

Senator CLIFFORD P. HANSEN,
Washington, D.C.:

At your hearing conducted by Energy and Natural Resource Committee scheduled for next Monday please let this committee hear our comment the Wyoming Wildlife Federation is not in favor of an increase in grazing fees by the USDA or the BLM at this time. It is poor timing since the farmers and livestock industry have a depressed market for their commodity.

W. E. BEHNEKAMP, *President.*

Senator BUMPERS. Senator McClure, did you have an opening statement?

STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator McCLURE. Just very briefly, Mr. Chairman, just to underscore what Senator Hansen has already said.

I, too, would like to introduce the opening note and tribute to our former colleague, Senator Lee Metcalf, and the leadership he provided this subcommittee. Also, I would like to underscore again the language which Senator Hansen has described.

The livestock industry has been reeling under blows of Government assault of one kind or another for at least the last 5 or 6 years, starting with the period of time price controls were left on livestock products after other price controls were lifted. The market distortion which that introduced still continues.

We have not yet worked our way out of that situation. The period of time when they were under these assaults was also the period of time when we subtracted from the range effective predator control and increased the hazards of operations on the public lands and the cost of operations.

During this same period of time we have had large cost increases, largely as a result of inflation which is the end result of Government monetary and fiscal policies. If we do not find an answer to the fee increases, the result will be further reduction of private, small operators on the public lands and the concentration of land ownership of the base lands in larger and larger corporations, with fewer and fewer family farm operations in existence.

We are just starting on the BLM animal unit grazing lands which will be another assault upon the private, small landowner. The promise of reduction in grazing allotments is very great. I do not know how that will come out. I don't think anyone yet can predict with any degree of accuracy where that will end, but I will predict right now with some confidence there will be reductions in grazing allotments as a result of that undertaking.

This again will force some small operators out of business and consolidation of the land base in the hands of larger and larger operators and fewer and fewer small operators. Unless we find an answer to this multiple dilemma facing livestock operators, we will end up with the base lands and public grazing not in the hands of many small operators but in the hands of a few large ones who will then do as most of the large ones have been doing—subdividing most of their prime recreation lands.

That, I contend, is not good for the States in which I live and my colleagues live. It is not good for the Nation. And I do not believe it is good for the public land base. For that reason, I would hope we would pass the moratorium legislation and use the resulting time to come up with a formula that recognizes the capitalized payment embedded in the permit.

I realize the Government does not wish to do this for reasons which are to the Government perfectly valid. But to ignore it puts into the calculations a distortion that cannot be taken out by any other means. And that is what we are really struggling with, finding an artificial way to compensate for something that does exist but which the Government refuses to recognize, there is a capitalized value. We recognize the capitalized value in the land of private owners. We refuse to recognize that in the computation of grazing rights, grazing costs or comparability on public lands.

We will never solve that problem until we cross that particular bridge.

Senator BUMPERS. Senator Domenici.

STATEMENT OF HON. PETE V. DOMENICI, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator DOMENICI. Thank you, Mr. Chairman. I will be brief. I want to compliment you on your chairmanship of this subcommittee. I know we will have a lot of good issues during the year. I want to make this one point.

I do not think there is a more significant issue brewing among Americans today than the issue of the agri-economy. We have seen frustrated, almost tearful, farmers in each of our States and then we saw them come here to Washington. I firmly believe it is foolhardy to disassociate this issue we are talking about today from the agriculture-economic dilemma we are facing in the country.

I am firmly convinced there is a legitimate dispute right now as to whether or not the new formula is fair and proper.

There are those who say, to those who produce the food and fiber in this country, we are concerned with your problem but we really don't know how to handle it yet. It seems to me one thing we ought to do for certain is to say since there is serious question about whether this new formula is the right one, that we ought to produce one little ray of hope by saying let's hold it off for a year. It is not going to hurt the public lands.

Anyone who thinks that is the case knows better. They might say it but actually the appropriate control of public domain is governed by public laws that are being implemented and this 25 percent is going to have little to do with whether we get better management or not of the public lands.

So I think with those who give with a lot of rhetoric about wanting, to help with the agricultural situation, that unless they say, well here is one way for 1 year to take this off of one part of the agri-economy's back while we try to find something better. The rhetoric does not match up unless that is done.

That is why I think we ought to move expeditiously. We are not giving away very much. We are just saying to that group of legitimately frustrated people who are a part of agriculture, we are going to give you one little indication that we are more than concerned. We listened to you. We are going to put this moratorium on.

Mr. Chairman, I hope you know from this Senator's standpoint I am willing to spend a lot of time trying to find out what would be a better way. I am firmly convinced this is not the right way. I am firmly convinced there are other ways to more equitably relate these charges to the reality of public leases. It is so easy to say we want to relate them to the private marketplace, so easy to say that. It sounds so fair, it sounds so right.

But then when you start looking at what private leases are versus public leases, it is darned difficult for any group of people to come up with a formula that equates the two.

Mr. Chairman, the role, the responsibility, the rights of a private lessee versus a public lessee—there is a litany of difference, exclusive use versus nonexclusive use, responsibility to care for fences versus nonresponsibility, guarantee of number of head that will come off the range versus take the risk yourself. Those are immediate distinctions that come to my mind when you speak of a private lease and a public lease.

The nature of the forage, the nature of the area wherein public leases exist versus private.

So it is not an easy job. I am firmly convinced in the middle of this depression in agriculture the most inappropriate signal we could give is to say we are going to let this formula go on ahead.

Senator BUMPERS. Thank you, Senator. Senator Laxalt.

**STATEMENT OF HON. PAUL LAXALT, A U.S. SENATOR FROM THE
STATE OF NEVADA**

Senator LAXALT. Mr. Chairman, I would like to welcome you to this fold. If I might, I might indicate you had better get used to looking at all of us here on your left.

Senator BUMPERS. I noticed I was rather alone this morning.

Senator LAXALT. Please don't feel alone, rather we would like to feel we are with you.

Senator BUMPERS. If this morning is any indication of things to come, I hope I am with you.

Senator LAXALT. In all seriousness, this matter is so vital to our respective States, and I cannot overemphasize that. Grazing and the livestock industry to my State of Nevada, aside from tourism, is what steel is to Pennsylvania and what the automobile industry is to Michigan. It is that important.

We have been beset by a number of Washington regulations of varying types that have made it tough for the marginal operator. We are pleading the cause of the marginal operator because grazing fees and grazing fee increases can often make the difference. I know because I was raised on a marginal operation. I know how difficult it is to survive problems with nature combined with cash flow problems.

It is often said only 5 percent of the people use public lands that are in the livestock business and are affected by the grazing fee increases. That is not the case when you look at some of the individual States. For example, 68 percent of the users in my State of Nevada at one time or another use public lands and are affected. Thus, grazing fee increases are an essential consideration. Further, cost of production, in my judgment, has to be placed somewhere in this formula as a matter of mandate.

I have hoped somewhere along the line that by virute of the surveys and data compilation by the Departments that we would have production costs given consideration, and certainly there has never been any better foundation than the last couple of years to accomplish this. Secretary Andrus told us a little while ago, the Organic Act compelled him and the agency to come up with this formula. I, for one, am convinced we have to mandate production costs within the formula, and I would hope that would be one of the functions of this committee to inquire into this matter, because I consider it to be vital.

Until this is done, until we have the necessary information that will support the production element as a matter to be considered by mandate, I think we need some time. It is a not matter of delay, Mr. Chairman. I think by the time this year is out, with several hearings by this committee, here in Washington as well as throughout the West, I believe we can establish to your satisfaction, Mr. Chairman, to the members of the subcommittee, and the full committee, that this is vital, essential, and it is right.

I thank you for your attention.

[The prepared statement of Senator Laxalt follows:]

STATEMENT OF HON. PAUL LAXALT, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman, as you know, farmers and ranchers in the West have been riddled the last few years by problems involving their survival such as the drought,

livestock prices, inflation, and so forth. In this light, the October 21, 1977, announcement by the Secretaries of Agriculture and Interior concerning 1978 grazing fees came as a shock to the livestock industry and many of us in Congress. Grazing on public lands is a weighty issue in Nevada where 87 percent of the land is Federal domain. Because of this deep concern being expressed in the West, which is where most of the Federal lands are located, I would like to first commend you, Mr. Chairman, for responding and holding this hearing on S. Res. 311 and S. 2297; both directing the Secretaries of Agriculture and Interior not to implement the grazing fee increase for the 1978 grazing season.

As a cosponsor to both S. Res. 311 and S. 2297, I urge favorable consideration. I do not favor a moratorium as a delaying tactic, but rather to allow Congress time to enact legislation designed to provide an alternative method for determining grazing fees. Today, I will introduce the formula recommended by the Grazing Fee Technical Committee in their report published in the Federal Register on February 4, 1977. A one year moratorium would give the Congress, the land agencies, the livestock industry and the general public adequate time to thoroughly review this grazing fee formula.

This formula, I believe, contains the necessary balancing economic factors for any new grazing formula. A "cost of production index" and a "price of livestock index" are essential to determine a fair market value grazing fee formula. Further, I believe this formula is equitable to both the citizens of the United States, as mandated by the Federal Land Policy and Management Act of 1976, and those using Federal lands for grazing.

In conclusion, Mr. Chairman, about one-half of the livestock in the West graze on public lands administered by the Forest service or the BLM. In my own State of Nevada, about 68 percent of the total cattle graze at least part of the time on public lands. In this context, the importance of this issue is obvious.

Thank you, Mr. Chairman.

Senator BUMPERS. I thank you. Let me say, I was remiss in my opening statement in not having said, No. 1, of course I am very pleased to chair this subcommittee. It is an honor. I appreciate it and I am gratified by it.

No. 2, I certainly was remiss in not pointing out that I am following in the footsteps of one of the finest Senators to ever serve in the Senate. Lee Metcalf and I had one serious disagreement in 3 years. It was one of those things on which reasonable men simply disagreed. I thought he was one of the kindest, most thoughtful and, frankly, one of the most intelligent men ever to serve in the Senate. While his work in the Senate was not the kind that captured a great deal of publicity, he will be judged in history, and a lot of his legislation, such as the strip mining bill which is so vital to the future of this country, will, that kind of legislation will force history to treat him very kindly.

I wanted to say that, as I have already said it for the record.

I do have one colleague here, Senator Matsunaga. Are there a lot of public lands in Hawaii?

Senator HANSEN. May I say, Mr. Chairman, you have another colleague.

Senator BUMPERS. It is a strange thing, it is strange to say I have a colleague on the right.

Senator MATSUNAGA. At least it is right of the chairman. [Laughter.]

Senator BUMPERS. Senator Matsunaga, did you have an opening statement?

Senator MATSUNAGA. No.

Senator BUMPERS. If not, then we will proceed with the testimony of the witnesses. Senator Cannon is not here yet, therefore we will have our first witness the Assistant Secretary for Land and Water Resources of the Department of the Interior, Guy R. Martin, and Chief Mc-Guire of the Forest Service.

**STATEMENT OF HON. GUY R. MARTIN, ASSISTANT SECRETARY,
LAND AND WATER RESOURCES, DEPARTMENT OF THE INTERIOR,
ACCOMPANIED BY HON. JOHN R. McGUIRE, CHIEF, FOREST
SERVICE, DEPARTMENT OF AGRICULTURE**

Mr. MARTIN. Mr. Chairman, thank you very much. I would like to add my voice to those who welcome you to the chairmanship of this subcommittee. It is difficult to follow in the footsteps of a man with as great experience and competence as Senator Metcalf. I think he is one that all of us who work on these issues and care about these issues will miss a great deal.

But we are delighted to see you in the chair and look forward to working with you.

I am, as you said, accompanied by Chief McGuire of the Forest Service. We have a number of other individuals here I will be calling upon if necessary, Mr. Chairman.

Let me read a relatively brief statement on this issue.

Thank you for the opportunity to appear before you this morning to present the administration's views on S. 2297 and Senate Resolution 311 and to discuss with you the grazing fee procedures jointly developed and proposed by the Departments of the Interior and Agriculture. Both the bill and the resolution under consideration this morning would once again postpone action on a problem which has been studied and debated and postponed for over 70 years.

S. 2297 would amend the Federal Land Policy and Management Act of 1976, to prohibit any increase in the present grazing fee for the 1978 grazing year. Senate Resolution 311 would request the Secretary of the Interior and the Secretary of Agriculture to impose a moratorium on grazing fee increases for such periods as may be necessary to give appropriate committees a reasonable opportunity to hold hearings on the proposed new formula. No specific time frame is indicated.

As directed by Congress in the Federal Land Policy and Management Act of 1976, a grazing fee procedure was jointly recommended by the Department of the Interior and the Department of Agriculture in the report distributed to Congress and the public on October 21.

The recommendation is straight forward. It calls for: (1) Continued use of the 1966 base fair market value of \$1.23 per animal unit month; (2) continued use of the private grazing land rental rate as a basis for annual adjustments of fair market value; (3) a gradual adjustment of grazing fees from current levels to fair market value with a 25-percent limit on the annual increase; (4) once grazing fees are at the fair market value level, limitation of the amount of change in any 1 year to a plus or minus 12 percent of the fee charged the previous year; (5) under specified conditions, establishment of a limited variable fee starting in 1980 for a certain size-age livestock category; and (6) continued review and refinement of data used to determine annual change in grazing fees.

If I might add at that point, the issue having been raised about the surprise or new nature of this recommendation requires, I think, notice that what we are dealing with here is not something that is new. It is something that is in fact a formula which has been in use since 1969, with all of the factors that are before us now under use and under consideration since that time.

In fact, the adjustments that had been made pursuant to the congressional directive are, as we see it, all adjustments to make this burden more realistic and more equitable from the standpoint of the person who is using the Federal lands.

Those changes are basically three. First, we phase in the increase, 25 percent a year, so that any increase is not realized by the user immediately. Second, once fair market value is attained, there is a limit on the increase in any 1 year of 12 percent, to get around the old problem of dramatic ups and downs in the business, as you pointed out, which does have problems. Third, as soon as we can supply adequate data, the variable fee for yearly cattle which will provide still another variable which we think is important in this process. Other than that, there is not a surprise element in this fee structure, but a reiteration of the fee structure which has been in place and capable of being analyzed since 1969.

Implementation of this recommendation would result in an increase in fees from \$1.51 per AUM on BLM lands and \$1.60 on Forest Service lands to \$1.89 next year in both areas. If the recommended fee procedure is adopted, about 72 percent, or 18,000 of the 25,000 permittees who use public lands, will have an average \$60 increase in their 1978 grazing bill. About 1.5 percent or approximately 380 of the largest operators will experience an average increase of about \$3,800. We should point out that grazing fees constitute an average of only 3 to 8 percent of the cost of production.

The fee recommendations would increase grazing revenues by about approximately \$6 million in 1978, bringing the total to about \$34 million. At least 62.5 percent of the grazing revenues will be returned to the Western States to be used for the benefit of the range or as support for local government budgets.

Prior to adopting any new fee system, both Departments are faced with the need to issue permits and billings for the 1978 grazing season. To do so without causing delay or inconvenience to range users and without prejudicing the final fee system, each Department will issue permits on time.

BLM will bill at the current rate of \$1.51 per AUM, and make any necessary adjustments later.

In arriving at the recommended fee system, the Secretaries decided, after a year long study, after the commitment of considerable effort and money, after evaluating public comments, and after extensive review, that a system which relates the cost of grazing on public lands to that on the private lands is the most direct, accurate, and equitable measure of fair market value—a fundamental requirement if the system is to be consistent with the declaration of congressional policy in section 102(a)(9), of the Federal Land Policy and Management Act that "The United States receive fair market value of the use of the public lands and their resources * * * "

The procedure recommended for arriving at fair market value recognizes and makes allowances for the difference in costs between using private lands as compared to public lands; it recognizes and makes allowances for the added restrictions and requirements imposed on permittees on public lands; and it uses, wherever possible, conservative values most beneficial to permittees to account for these differences.

The result is a system that sets the fair market value for grazing on public lands at \$2.38 per AUM in 1978 using the average private leasing rate in the 11 Western States of \$7.06.

In section 401(a) of the Federal Land Policy and Management Act, Congress directed that in the study the Secretaries "shall take into consideration the costs of production, differences in forage values, and other factors as may relate to the reasonableness of such fees."

As discussed in the report, systems for arriving at a fee schedule based on these factors were considered at length by the task force and the Secretaries. But the law does not state that the system for arriving at the value of grazing will be based on production costs. Instead it requires the Secretaries to study, to consider, to use their best judgment, and to make a decision in the form of a recommendation, all in the context of meeting the fair market value objective in an equitable and reasonable manner—equitable and reasonable to those who use the grazing resource and to the general public that owns the land.

Senator LAXALT. May I ask a question? Mr. Martin strikes at the heart of our problem, and I had the same impression from Secretary Andrus when members of the western coalition met with him. That is the effect if the production cost item is not mandated within the legislation, then it simply disappears.

Is that the position of the Department?

Mr. MARTIN. No, sir. The term production cost, particularly as a general matter, is a difficult concept. But it appears to me in this instance Congress did something it often does in passing legislation, it created values for administration which were, to some extent, conflicting with and contradictory to one another.

The idea of production costs has been defined in various ways. I can supply some of those for you. But one of the definitions of "production costs" has been those items that were enumerated by one of the gentlemen on the panel, in terms of the difference of tending fence or fees or whatever. To the extent that those are costs of production, they were not only considered but have been a part of the formula for years.

Additional aspects of production costs which would include everything up to and including the value of the permit and other things were considered. But in the end, both Secretaries concluded in judging the potential conflict between fair market value and production costs where it involved an "ability to pay," it was both consistent with the law and more equitable to go to a fair market value test which limited costs of production, to some extent.

I think you are seeing the judgment or the basis of their judgment on that in the report.

Senator LAXALT. Yes, I think that is true. Tell me this. If we here in the Senate, joined by the Members of the House, would develop a consensus that production costs is a vital factor in the formula and should be mandated, what would be the position of the Department?

Mr. MARTIN. The position of the Department is very strongly that fair market value is the proper return for the use of Federal lands. The Secretary is not closed on the grazing fee matter nor am I, but it seems that the precedent of walking away from the long established use of fair market value as the return for public resources is something very important as a precedential matter.

It would be, in our view, very important that the committee or the Congress establish a basis for taking one commercial use of

public lands, grazing, and putting it on an "ability to pay" pay basis while asking the lessees of coal land and other resources, to continue on a fair market value, basis. The Secretary remains convinced fair market value is the overriding standard.

Senator McCLURE. Would you yield for a moment? Did I understand you to say production cost is not related to fair market value in your mind?

Mr. MARTIN. It is to the extent I indicated, Senator. Production costs can be defined in many ways. It can be defined in, let's say, an exhaustive sense in which every conceivable cost of production is calculated and included. It can also be considered only to the extent where there is a difference between grazing on the public lands and private lands which is the approach we have taken.

So it does have a bearing and it was considered. But it was limited in the extent to which it was used.

Senator McCLURE. Production costs in the sense you are using it are related to ability to pay. Production costs, as I would look at it are related to fair market value, the differentials between the production costs on private permits and on public lands. You say in the latter sense you have reflected it in fair market value or intended to reflect it in your formulation.

Mr. MARTIN. To the extent private lands are compared with public lands we believe there is a reflection.

Senator McCLURE. I don't disagree with you if it is in the context of the ability to pay, if you want to set that aside in the computation of fair market value. But I think production costs and all of its variables must be included in the determination of fair market value and to the extent it has or has not been accurately done I would be critical of the result.

Mr. MARTIN. I understand, Senator. I think where you are going is a position which objects to the use of private land values as a basis for looking at fair market value for public lands. The result of the very exhaustive work done by the study concluded the very best rather than the worst way to analyze fair market value was to compare private and public market values.

Senator McCLURE. How do you determine fair market value if you ignore the difference between private and public values?

Mr. MARTIN. You don't. In other words, what they did, their formula, was to take the cost of grazing on private lands, make adjustments for the 13 factors.

Senator McCLURE. I thought I heard you say the study panel had decided they must ignore those differences.

Mr. MARTIN. No. The Secretary has made a decision that, on balance, the proper reflection of fair market value is based on that comparison.

Senator HANSEN. Mr. Chairman, if I could ask the Secretary a question at this point. It seems to me this is the crux of the argument and the controversy over how to establish grazing fees.

My understanding is historically the Federal agencies have shied away from recognizing the cost or the value in a permit as being part of the cost of production which would be reflected in establishing grazing fees on the contention that to do so would imply the conveyance of a right to the grazing. If that were to be recognized as part of computing a formula, a person who had purchased or who had paid

an additional amount for cattle under permit or for land or for land and cattle both, under a permit, would convey the permit right. I do not think there is any question that the stockmen in the West are perfectly willing to have written into law that to recognize the cost of a permit as being a valid part of the computation going into a grazing fee formula would not convey in any way any right, title or interest to permanent right or to a right to graze on there. Most of the permits, including Forest permits, are for a period of 10 years.

They are precise. The manner in which they may be revoked are spelled out, and whether or not they shall be continued is dependent on the examination and evaluation of a number of criteria which I think is very properly and appropriately left with the Forest Service or the BLM.

But to contend, as has been done in the past at least, by the Federal land management administrators that it is not a valid cost in trying to make comparisons I think ignores a very important fact.

It does cost. If you can acquire the privilege of grazing on a Forest or BLM only by paying an extra amount for that permit, that is part of the cost of running on there. Would you agree that makes sense up to that point?

Mr. MARTIN. Yes, sir, Senator. If I could comment, I think you have accurately characterized the philosophical problem that at least some in the Federal Government have had with that system. That is the theory of "right" and "privilege" issue.

As you know there are those—I am not one of them—that believe grazing privileges should not run with the land or run with a particular ranch. I am unalterably opposed to this approach. The issue is, however, raised from time to time.

I think that we have had, over a period of time, evolutionary development of the permit as what appears as a quasi-property right. Again, one which should not be recognized legally and is not recognized legally. It is one which has been, in terms of the cost of the permit however, represented as a property. Prices reflect this cost.

That is not the problem, Senator. The problem is: we have to decide in setting grazing fees how to account for that amount of expenditure. Earlier it was suggested the Federal Government does not recognize that expenditure or does not acknowledge that it exists. That is not so. It is acknowledged. In fact, it is not impeded in any way. That system has been allowed, in other words, to grow over a period of time.

What is important is that in accounting, there is not a realization of any windfall over a period of time as a result of having a permit. The cost of that permit will be realized by any permit holder at the time that permit is sold or otherwise transferred at cost. To then come back and allow that same cost to be amortized over a period of years by being applied against the grazing fees represents a sort of double accounting which not only allows the permit value system to grow but appears to me to allow the benefits to be realized twice rather than once.

Senator HANSEN. It is not my understanding the stockmen are asking the value of the permit be amortized.

Mr. MARTIN. It would be an effective amortization by allowing it to be credited each time against the fee.

Senator HANSEN. I would respectfully have to disagree with you. But I think a reasonable assumption of what that investment represents in an annual cost as far as interest goes is reasonable. That was

all I have ever heard the stockmen talking about. Put the figure wherever you want it. I know when a permit becomes part of an estate, the IRS comes in and says what it is worth. I had that personal experience when my father died.

All the stockmen I understand are asking for is just the same as I might say a trucking company would recognize the investment in equipment as part of their cost of hauling commodities over the road, is part of their cost. But by the same token, a rancher has in a permit, that represents the same sort of cost. We are not talking about trying to amortize it out. We are simply saying if the interest rate is 6 or 8 percent, take the value of the permit and apply that 6 or 8 percent as a legitimate cost I think most accountants use the same procedure. If you are going to set up a business, you have got to figure out what is a reasonable return on the investment. That is what we are talking about here.

It is not a question of trying to amortize it out.

Mr. MARTIN. Senator, our view may be different on making changes in the computation. I don't have it with me here today. The application of a formula like you suggest would reduce grazing fees in the range of 85 to 95 cents.

Senator HANSEN. On that point, without trying to get into specific cases, let me say I think a reasonable way to apply it.

I don't think it makes any sense at all to go through on a case by case basis and say because this rancher has invested x dollars in a permit and this one $3x$ dollars in the permit, this one is going to get about a third of what the other one would.

I would say the Forest Service and the BLM is perfectly competent to arrive at an overall Forest or BLM District value on what is represented and apply that uniformly by all permittees.

I would say also the permit system with the Forest has been in existence for a sufficiently long period of time as I think the BLM has that there are very, very few exceptions to this statement when I utter the words that the average permittee today did not start out from a time of grazing before permits were in existence.

So it would seem as though that could be arrived at. That is all we are talking about here, is part of the cost of doing business. If you go to a banker and ask him to help you decide whether it is better to buy a ranch and plan to graze the livestock on that range or to buy a ranch with a permit attached and graze them there, he is going to add all of the costs up and decide what the return on investment is. Wouldn't you agree with that?

Mr. MARTIN. Senator, I don't agree with your approach. I think it is an approach for the private sector perhaps—I agree a private individual might assess his business opportunities in that way, yes, sir.

Senator HANSEN. Wouldn't you agree a banker would approach it the same way?

Mr. MARTIN. He may very well do that, sir.

Senator HANSEN. You don't agree with the banker or the rancher, is that what you are saying?

Mr. MARTIN. I think it confuses the issue of what ought to be a fair return for use of Federal resources and I think that ought to be judged separately by how it compares in the market with what is paid for using private resources. That is what I see as the heart of

the approach the two Secretaries took and I frankly see it at the heart of the fair market value that Congress mandated.

I would suggest that might be better understood by trying to compare it with the return we get from other resources, other than grazing. The computations that would be involved in deriving that same kind of value for coal leases, or oil and gas leases, or others. Would not produce the result Congress intended in setting fair market value standards.

Senator HANSEN. I think you make a very good point when you mention oil resources. I am sure any oil company that is going to be in business very long has to take into account what it pays for a lease or pays on a bonus bid.

Now, the approach you take would ignore that, would it not?

Mr. MARTIN. That, of course, is at the heart of the debate.

Senator HANSEN. I am glad you brought that up. I am surprised that you did, but I am glad nonetheless.

Senator BUMPERS. Mr. Secretary, if you and Chief McGuire could stay for a few minutes, out of deference to Senator Cannon, we would like to allow him to make his statement at this time.

STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

Senator CANNON. Thank you very much, Mr. Chairman. First may I congratulate you on assuming the chairmanship of this subcommittee that is very important to us out in the West.

I would really have liked to have stayed a little longer and heard the Secretary continue. I think under Senator Hansen's very expert questioning the Secretary had almost admitted his case away, as we will define it from sitting on the judging side.

I must say I completely agree with the point Senator Hansen has been making there. I think it is rather amusing to refer to the Secretary's statement with due deference to the Secretary, where he quotes from section 401(a) of the Federal Land Policy and Management Act and says: "In the study the Secretaries 'shall take into consideration the costs of production, differences in forage values, and other factors as may relate to the reasonableness of such fees.'"

Then he goes on to say "But the law does not state that the system for arriving at the value of grazing will be based on production costs."

So what it sounds like to me what he is saying there is on the one hand Congress told them to consider the production costs and then, on the other hand, that we did not write into the law that it will be based on the production costs and therefore they don't have to consider it. It sort of reminds me of that old story, you know they tell out West about the fellow that had the old mule and could not get him to work, and finally he took a two by four and hit him as hard as he could square between the ears, and a fellow asked him, he said what are you doing that for, and he said, well, I find out before he really goes to work you first got to get his attention.

And I think that is our problem here. We have not got the Secretary's attention properly as to the things they ought to consider.

Now, Mr. Chairman, I appreciate the opportunity to appear this morning and express my concern about the situation in the livestock industry and urge the committee's approval of a moratorium on public land grazing fees for the coming season.

I recognize a moratorium is another stop-gap measure. It is not my idea of solving the grazing formula question. That question is going to be with us until the Secretaries and the administration recognize what the entire cost of production is and consider that in arriving at a just and reasonable fee.

But the alternative of permitting the so-called Secretaries' formula to go into effect in the face of industry-wide opposition would be worse. The Secretaries' report is unacceptable to the industry and I believe it is important additional time be provided for working out acceptable and a fair formula rather than forcing the Government's version down the throats of the industry.

S. 2297 is straight forward. It would impose a moratorium on fee increases for the coming grazing season. I hope it is approved and that the committee will then consider the question of an acceptable grazing formula.

I respectfully submit this issue has become large enough and important enough to demand a legislative solution. The mutual antagonism that has grown up between the Department of Interior and the industry over this question has stalemated a solution for a number of years.

The formula has been prepared by a Government task force which is acceptable to the industry and could be used as a basis for committee action. This formula is the technical committee's report worked out by representatives of the Departments of Interior and Agriculture. It tempers the index with private land lease rates favored by the Secretary's report for the cost of production factor favored by the industry.

I recommend it to the committee. The moratorium will give us the time, hopefully, to settle the issue permanently through legislation during the present session. Mr. Chairman, further on the point Senator Hansen made related to the cost of grazing on private lands, my State we don't have private lands that you can make a fair comparison of cost with.

Eighty-seven percent of the State of Nevada is owned by the Federal Government. So when you talk in terms of can you go out and get and lease land for grazing, it is just out of the question. You have got your basic leases that are on the public lands. These small numbers, small amounts of private lands that are suitable for grazing are owned by ranchers and they are having a hard enough time themselves, so you can't really go out and compare what you could buy grazing for under those circumstances.

I used to be in this business with my dad many years ago. I remember the difficult times we had to buy any leases of any kind under fence, mind you. That problem is still with us out in the West.

I think the position the Secretary takes is not reasonable. It is not in accordance with the intent of Congress, that Senator Hansen I think pointed out so well, and Senator Laxalt, my colleague did a little earlier on that precise point.

I thank you for giving me the opportunity to be here this morning, Mr. Chairman. This is serious to those of us in the Western States who have ranchers whose livelihoods are at stake, and many of them are now going down the tube right today.

I thank you.

Senator BUMPERS. Senator Cannon, thank you very much.

Senator LAXALT. May I ask one question if my colleagues will yield. On the point concerning private land comparability, isn't it true that both our State of Nevada and Arizona have basically the same problem in that we don't have private land leasing for comparison? Isn't it also true while we represent over 26 percent of all of the land involved in this problem, that in terms of the Private Lease Rates Survey, there has been no response whatsoever from either Nevada or Arizona for a period of 2 years; so there is no comparability we can use to measure against as to whether or not the grazing fees are reasonable in our respective States?

Senator CANNON. I have been told there has not been one response on that point. I don't know about the Senators from Idaho, Wyoming, or Montana, but I am told from Nevada or Arizona there has not been one response on this issue. If there has not been a response, how in the world can they figure in the cost of leasing on private lands? You just can't lease on private lands, period, in those States.

Senator McCLURE. Would my colleague yield? I think there is a difficulty even in States like Idaho where there is more private land and the private land has a quite markedly different character than the public land. That is why it is private. Some homesteader took it up and bought it. They have higher production and much of it is mountain meadowland that is either subirrigated or irrigated. It has greatly different productivity than does the public land.

The question I would address is to a slightly different subject. Mr. Martin made a mention a moment ago that although the Congress directed last year a study be made, that the study is really not new. It dates back to at least 1969. As one of the sponsors of that legislation and supporters of that legislation and that provision of it, I had thought we were saying the old study was inadequate, that we wanted a new one.

I know you supported that study provision. I wonder if you could tell us if you were expecting they would simply dust off and update the old study, or whether you were expecting they might give a new look at the old problem?

Senator CANNON. Senator McClure, I felt as you did. We were hoping they would give us a new look. But this old study was not adequate to meet the problem. We were hoping they would take the study and write into it some factors that were a little more realistic out West and then come up with some kind of recommended solution. But that they don't seem to want to do. I don't think they are going to do it unless we drag them kicking and screaming before congressional committees and insist that they do it.

Senator McCLURE. I thank you. That is exactly my feeling. That the study we got last fall was not a new study. It did not really take a fresh look at the problems and perspectives we had discussed before this committee and others in the Congress.

Senator CANNON. And it did not solve any one solitary problem in this grazing fee issue as I see it.

Senator BUMPERS. Thank you, Senator.

Mr. Secretary, in the interest of time I am going to ask you to submit your full statement for the record. I don't think you had concluded your statement, but if you have no objection to that—

Mr. MARTIN. That is fine with me, Senator.

Senator BUMPERS. I had finished reading it. I think my colleagues had, too.

Let me ask three or four questions. We are running a little late on time this morning. But just for my own edification, this is not an issue, a highly contested issue in my State.

Let me ask you first of all, how many acres does Interior lease for grazing each year?

Mr. MARTIN. 175 million.

Chief McGUIRE. The Forest Service is about 100 million acres, not all of it grazing.

Senator BUMPERS. Roughly, 275 million acres.

Chief McGUIRE. Roughly. Upon examination of our records, it was determined that BLM authorizes livestock grazing on about 160 million acres of public lands, rather than 175 million acres. Thus, the total of BLM and Forest Service acreage would be about 260 million acres.

Senator McCURE. Would you yield on that point? You are talking about lands on which leasing permits are granted, not direct leases of land? Do you have any direct leases of land?

Chief McGUIRE. These are all areas, which are under permit. I don't believe we have any direct leases.

Senator BUMPERS. Chief, is not the Forest Service obligated to use the same procedures that Interior uses under the Organic Act in cattle grazing leases?

Chief McGUIRE. Yes. We are heading in that direction, Mr. Chairman. We started out on a different basis, but we will get together over time.

Senator BUMPERS. Mr. Secretary, in Interior, what is the average size of the grazing lease?

Mr. MARTIN. I do not think I can give the size in acres. I think the key figure I gave you today is we have calculated what the increases are. It is 72 percent of the people would pay \$60 a year additional. So that the amount of increases would seem to be in perspective.

Senator BUMPERS. Did you arrive at that figure by simply taking the 72 percent of the smallest leases?

Mr. MARTIN. No, we did it by taking the whole spectrum of leases and looking at how big the operators were. Our study shows that 72 percent of the people that have leases are small operators or hold small percentages of Federal lands.

Senator BUMPERS. If you will submit to me, and perhaps the other Senators who might be curious about this, the average size of these leases.

[Subsequent to the hearing the following information was received for the record:]

Grazing allotments may range from 40 acres to more than 400,000 acres. Some allotments are used in common, that is, some allotments are used by more than one rancher for livestock grazing. However, the authorizing unit of measurement for livestock grazing is an animal unit month (AUM) of forage rather than a certain amount of acreage. A rough average for BLM lands could be estimated by dividing the 160 million acres of BLM lands grazed by the 20,000 BLM permittees to arrive at 8,000 acres per BLM permittee. We emphasize, however, that this figure is not closely reflective of the amount of forage involved. The average number of AUM's per BLM permittee is 600.

At the hearing we indicated that 72 percent of the grazing permittees, including both BLM and Forest Service permittees, would pay \$60 a year additional if the new fee proposal were implemented. The 72 percent figure represents percentage of permittees who are small operators. This 72 percent holds 19 percent of the total AUM's authorized. The data collected for the report does not include acreage data that would permit us to calculate average acreage held by these permittees. Our data does show that this group of small operators, comprising 72 percent of permittees, has an average use of 159 AUM's.

Senator McCLURE. Leases are not measured in acres, however.

Mr. MARTIN. That is correct.

Senator BUMPERS. How are they measured?

Mr. MARTIN. They would be measured by units or the number of animals that could be—

Senator BUMPERS. The animal unit method of computing?

Mr. MARTIN. We can give you the average computation.

Senator McCLURE. In acreage?

Mr. MARTIN. I don't we can do that.

Senator BUMPERS. In determining how many animals a tract will carry, and I assume that is the basis for issuing the permit, you have to have some idea of the size of that tract before you issue a permit, do you not?

Mr. MARTIN. They would give an animal unit per month load, but I don't think the figures are broken out so we can take each and every size. It may vary.

Senator HANSEN. If I could make an observation here to try to be helpful to the Secretary. Let me say, Mr. Chairman, I know with respect to Forest Service lands—and the Chief is here and you can check me if I make a mistake—in an allotment will be included a number of acres of land, some of it will be timbered, some will be rocky or rough or otherwise unavailable for grazing and then there will be varying degrees of forage cover. Some of it may have a carrying capacity that will be far greater than would others.

So it really is not very meaningful as far as the average citizen is concerned to try to talk about the number of acres under lease or how many it takes to provide a month's grazing for forage animals. You have to know the country and you have to understand how greatly these conditions can vary. It is not like looking at a meadow.

Most of the privately owned land that is owned and under fence, it generally speaking is more productive on a by acre basis than the typical Forest permit because of the other factors that impinge upon it, would you not agree with that?

Mr. MARTIN. I would. In any given area, the conflicting uses, whether it be wildlife, range condition, forage type or ability to recover does differ. So the tradeoff between number of AUM's carried there may be significantly different in terms of the acreage.

Senator McCLURE. There is another variable involved. That is, you try to hit averages, averages by season and by year, and the turn-out date can be varied according to the season. That is the date when you can turn the animals on the public land and the way in which it is used on the public land will depend very greatly upon the individual herder or cowboy who is out there with the animals, moving them around to the areas where the forage is good, and that will vary from year to year and season to season.

It is very difficult to measure it as you would measure private land use in terms of acres leased.

Senator BUMPERS. There must be some kind of figure. You just cannot say get in your airplane and look at this tract of land, it will carry so many cows or animal units.

Mr. MARTIN. I think the conventional unit for measuring is the AUM figure; that is, it is a good one for comparison studies.

Senator BUMPERS. This reminds me of a very funny story we tell down in Arkansas about the Texan who came up there and was boasting about the size of his farm and he asked the Arkansan how big is your place, and he said well, you can drive right down, it is fixed, back to that oak tree, back to the creek, and back to the road and that is it. The Texan said I can't believe that, you know my place if you drove all day long you would be lucky to get to the backside of my place. And the Arkansan said I know what you mean, I used to have a car just like that myself.

Let me ask you one other question. What is the term of these leases?

Mr. MARTIN. It is for a season and that season is roughly 5 months.

Senator BUMPERS. These are renewed on an annual basis?

Mr. MARTIN. Yes. The Forest Service sometimes has split seasons, spring, summer, fall and winter seasons. But it is usually a seasonal permit.

Senator BUMPERS. Do traditionally these things have other requirements other than cash payment for fencing, upkeep of fences?

Mr. MARTIN. Yes, sir. There are some 10 or 13 factors that are considered in the formula. They represent the differences between private land and public land uses. In the public land area, there are some additional burdens that grazers have to bear in some cases such as fence maintenance or adequate fencing, and there are some things that are additional planning and regulatory requirements.

Senator BUMPERS. The requirements put on the permittee, a value is placed on them, are they not?

Mr. MARTIN. Yes, sir. The formula recognizes and deducts these costs. It states what you enjoy on a private lease or what you do or don't enjoy on a public lease and tries to make a fair distinction between them. That is the issue I have raised several times here as being at least a part of the cost of production.

Senator BUMPERS. I take it these permits are leases. How do you class them? Do you call them permits and leases or just permits?

Senator McCCLURE. Yes.

Senator BUMPERS. Are these permits issued on any kind of competitive basis?

Mr. MARTIN. No, sir, they are not. They were issued originally in certain areas to owners; they have been passed from owner to owner on a voluntary sale basis since that time. That is the issue of permit value.

Senator BUMPERS. What if I went out there and bought myself a spread of 5,000 acres and that wasn't sufficient and I wanted to get me a permit to carry more cattle. How would I break into it?

Mr. MARTIN. First of all, it would be fairly unlikely that you would buy a spread of 5,000 acres without a grazing permit attached to it and it would have the value that Senator Hansen and I have been discussing.

Senator McCLURE. I think it might be useful if we would sketch a history of the evolution of the permit. Without that, I don't think you will ever understand it. When the land was first opened, the first guy who got out there with his cattle or sheep grazed it. In 1935, the Taylor Grazing Act was passed by Congress in an attempt to stop that chaotic situation and to get some reason in the management of the public lands.

At that time when the Taylor Grazing Act was first implemented, the Government required that the operator on the public lands have sufficient base property to support—base property being privately owned property—the livestock operation for which he was going to graze a portion of the year on public lands. So when you buy a ranch you are buying base property which is a portion of the non-Federal calendar year that will be supplemented by the grazing upon Federal lands and in an area where there is grazing, where it is an essential part, where it is the major part of the livestock economy. There is no base property without an associated Federal grazing use and there is no Federal grazing use on the other side because of Government policy that is not associated with privately owned lands or based property.

Senator HANSEN. Just a footnote on that, Mr. Chairman, would be to observe the permit system under the Forest Service came into being several decades earlier.

Chief McGUIRE. About 1906.

Mr. MARTIN. I might say there are those who suggested and have suggested for a long time that there be competitive sales of these permits at the time they become available or when someone wants to move on. That was examined as an alternative in the study, for example.

The Secretary of Interior has rejected it as inappropriate. That is because notwithstanding our disagreement on how to set fair market value, I am very much with a number of these gentlemen in thinking the grazing permit must run with the ranching operation. To do anything else would create a system of bad land use and instability.

Senator BUMPERS. It would probably also fall in the hands of the big agricultural operations.

Mr. MARTIN. That would also be a threat, yes, sir.

Senator BUMPERS. Let me ask you, you pointed out here about 1½ percent—that is not what I wanted to ask you. You say the fee recommendations would increase grazing revenues by about \$6 million in 1978.

Mr. MARTIN. That is correct.

Senator BUMPERS. Of that amount, the 62½ percent would be returned to the Western States; is that correct?

Mr. MARTIN. That is right.

Chief McGUIRE. It would be 75 percent in the case of the Forest Service.

Senator BUMPERS. That means the Federal Government would lose about \$3.75 million this year if we don't increase—

Mr. MARTIN. That is right.

Senator BUMPERS. It is to the Western States the 62½ percent is returned?

Mr. MARTIN. The States from which the revenue comes.

Senator BUMPERS. That is for the improvement of grazing lands?

Mr. MARTIN. Part of it is for the improvement of rangelands, when appropriated by Congress and part returned to State and local governments for distribution.

Senator HANSEN. Mr. Chairman, if I could make an observation right there, let me say when I was Governor of Wyoming I recommended that the fees charged by the State for State leases be raised. I thought they were not keeping pace with what other values were and I want to make that point clear. But having said that, a person makes a very bad assumption if he assumes the major return to Government comes from the portion of the fee that goes back to State or local governments. That was a very minute part of it.

The big return results from the presence of a viable livestock industry. Cattle that are on the tax rolls, the income generated by the livestock operation, the jobs that are made available and the purchases and all of the commerce that flows as a result of an on-going livestock operation. And, in Wyoming, I know it is true, and it is not unimportant that these fees go back, a portion of them, to the counties. But by far and away the biggest boon to the county is the presence of a viable livestock industry.

Anyone who fails to keep that fact in mind, I think, misses the whole thrust of the entire cattle and sheep business in the West.

Senator BUMPERS. To all of my colleagues let me say I have questions and they would prompt other questions and we would have the Secretary and the Chief here all morning. Certainly we will be hearing from them, but in the interest of time, and in getting to other witnesses, I will excuse both of you.

Senator McCURE. Could I raise one question? In the studies initiated, the Federal Government has always refused to have any capitalized value of the permit as a basis of calculation, is that correct?

Mr. MARTIN. I think that is correct, to the best of my knowledge. I might add I checked while Senator Cannon was testifying about a 4-percent interest calculation which I think you would agree is a very low assumption. It would reduce the grazing fees somewhere in the range of 85 or 90 cents. I think it would reduce it 76 or 75 cents by doing that. I think that is the kind of magnitude of change we are talking about.

Senator BUMPERS. Senator Matsunaga, you have been very quiet.

Senator MATEUNAGA. You have been neglecting me.

Senator BUMPERS. I have, and I apologize for it.

Senator MATSUNAGA. Mr. Secretary, you state an average of only 3 to 8 percent of the cost of production is attributable to grazing fees. Is this the average of both, of the ranchers who use private grazing land and public lands or is this just the average attributed to the users of public land?

Mr. MARTIN. I believe that is public, but let me check. It is the average of both, the staff says.

Senator MATSUNAGA. Of both?

Mr. MARTIN. Of both.

Senator MATSUNAGA. That is quite a range, 3 to 8 percent. That is 5 percent difference there. Now which constitutes more in the case of private land or public land, that is the grazing fees as charged by public lands or the use of private land within the 3 to 8 percent?

Mr. MARTIN. That comes through in the study. There would be a much higher percentage on private lands than there would be on

public lands. The private land grazing figures we looked at are in the range of \$7 roughly.

Senator McCLURE. The Senator is talking in percentage, as a cost of production. You gave the answer in dollars.

Mr. MARTIN. This is Mel Bellinger of the Forest Service.

Mr. BELLINGER. The variation of 3 to 8 percent reflects the difference in the profitability and the cost of operations of individual operators. We are looking at the total operation which includes both Federal lands and private lands. This is a rough estimate of the grazing fee share of the total cost of production. The range is simply a reflection of the differences in the operations.

Senator McCLURE. Would my colleague yield?

I thought your question was what is the percentage of cost of operation on private lands. You have given us a percentage of cost of production on public lands.

Mr. MARTIN. In other words, Mel, grazing fees, are they a higher percentage of private land operations than they are of public land operations? I think I understood in your answer you can't draw a distinction, that the range really reflects individual operations and you probably find people who spend 8 percent on grazing in the private sector and people who spend 8 percent in the public sector.

Senator McCLURE. In other words, the range in your studies would be the same whether it is public or private in terms of percentages?

Mr. BELLINGER. I am sorry, we are talking about grazing fees as a portion of an average operation. The cost of fees for an individual operation may be 50 percent of his total livestock production cost. We are talking about grazing fees as some portion, on an average, of a lot of different operators, some of them who have most of their grazing on Federal lands, some of whom have the vast majority on private lands, so in fact the grazing fee then is just a portion of that total cost, as best we can estimate.

Senator MATSUNAGA. Are there owners then of private land, may I ask you, who like the Government just let out the land for grazing to other ranchers?

Mr. MARTIN. Yes.

Senator MATSUNAGA. Then this is the comparison I am seeking that the private land owners for grazing charge on the average more than the Federal Government today charges, is that true?

Mr. MARTIN. Yes, sir, Senator, that is the basis from which we start. There is no question that in ultimate figures the rates for private grazing lands are substantially higher than the rates charged on public lands. Then to that private figure we apply the factors, the 13 factors I discussed that have to do with the difference in grazing on public land. Those differences include such things as maintenance of fences, Federal regulations that impose extra duties or burdens on a grazer and others. We attempt to adjust that private rate down to what a person should fairly pay on a comparative basis for public land.

If we made it strictly comparative without adjustment we would be talking not about \$1.89 but \$3, \$4, \$5, \$6, \$7. So the adjustment is from a figure that may be as high as \$7 in some cases.

Senator MATSUNAGA. What bothers me as a newcomer to this type of farming, grazing cattle, and so forth, is that you speak of trying to get fair market value for Federal lands and yet in response to questions earlier put to you you have no limit as to how many head of

cattle per acre, what the minimum would be per acre of land, so I cannot for the life of me understand how you are going to charge per AUM for one specific acre of land and get fair market value.

Mr. MARTIN. Senator, that is what we have been struggling with, but AUM is a well accepted and universally used figure which reflects not just animals per acre on a universal basis but simply is an indicator of how much carrying capacity any land could have along with all of the other things that land has to bear.

Senator MATSUNAGA. But assuming two plots of land, one private, one public, along side each other, and assuming the fair market value of that acre of land is \$1,000. On 1 acre you have 1,000 head, on the other acre you have only 500 head. How can you charge a fee per animal if you have such a disparity in the number?

Mr. MARTIN. We are working, and I think successfully, to bring the number that go on any acre in close conformity with the amount of carrying capacity that land has. If those two lands you are talking about are exactly identical, one is owned privately and one is owned publicly, there would be ideal figures for the amount of cows that should be on those lands. Those will be set through local land planning under the Federal Land Policy and Management Act.

Senator MATSUNAGA. So what you are saying is if the private land carries 1,000 head and in order to arrive at a fair return, a fair market value of the land, they would charge \$1.50 and you have only 500 head on public land you are going to charge them \$3 a head in order to arrive at the fair market value, the return of the fair market value?

Mr. MARTIN. No, sir. The figure would be imposed on animal unit per month. The charge has been leveled at the Department over the years by GAO and others that private grazers treat their land substantially better, in fact treat it on a renewable basis. The range, as a result, on private land is in better conditions.

Pressures have been put on the Federal Government to put more cows on the land than it could tolerate, but better land management makes some limitation of that necessary.

But still the comparison of figures based on AUM basis is a valid comparison. I think most people would understand you can arrive at a comparison between AUM's on private land, AUM's on public land, by doing just what you did, comparing two like pieces of land and then trying to decide what they are worth in terms of animal units.

Senator MATSUNAGA. You say the system presently under use has been in use since 1968?

Mr. MARTIN. Not the system but the formula used.

Senator MATSUNAGA. All right. You have not as yet been able to agree with the farmers as to whether the formula is appropriate or not?

Mr. MARTIN. If I could characterize a disagreement, Senator, I would say this. Thus far what has been done is we have arrived at figures for the cost of grazing on the private land. Those figures have then been adjusted for the difference between grazing on private land and public land, the factors I just spoke about.

What Senator Hansen and Senator McClure and I were talking about was whether additional adjustments should be made which go directly to the amount of costs to produce cattle. They would

include the value of the permit, or take into account the price for beef at any one given time.

Senator BUMPERS. I think it would be instructive to both you and me if we could have you return with some maps and show us some of these typical grazing permits and describe them for us.

Mr. MARTIN. I would be glad to. We would be glad to put together a briefing on the system.

Senator MATSUNAGA. I realize the pressure of time, Mr. Chairman.

Senator BUMPERS. I did not mean to cut you off, Sparky. You and I are obviously laboring under some of the same problems. Thank you very much.

Senator LAXALT. May I ask one closing question, please? Mr. Secretary, in your statement you made reference to the fact in arriving at the formula, and this is your wording, "Other systems suggested, such as the technical committee recommendation, are valid alternatives but do not recover fair market value."

Can you tell me what was the opinion of your technical people as to what the deficiencies were in the technical committee recommendation?

Mr. MARTIN. Yes. Basically, it was a problem of a difference between a fair market value approach and an approach which was related to ability to pay by using the cost of production. There is a difference, as we see it, statutorily in what we are able to do. When I said it was a valid approach, any approach that has some internal integrity could make some sense and the technical report makes sense, but it is not as we say, the fair market value approach. As such it would not be any different from the approach we use on any other public resource.

Senator LAXALT. Has there been any thinking in the Department recently as to the value of livestock operators on the public lands?

Mr. MARTIN. Yes, sir, and I quote myself. In a recent speech in New Orleans I said there is a great value today as the Senator suggested in having agricultural and cattle operations on private and public lands. As I said, there is no way to try to quantify that. I think our overall judgment would be that tampering with the fees up or down is not the most appropriate way to guarantee that those operations continue to be viable.

There are a whole other range of programs by USDA and the Department that are better able to do it than adjusting the amount of return we get for public lands.

Senator LAXALT. The reason, Mr. Chairman, I raise this point is because during the time I was Governor my eyes were opened up to the fact there is great value in having operators who use and are very conscientious about the public lands.

It is their inventory. Everytime I hear about operators abusing public lands in terms of overgrazing, it almost infuriates me because wise management is the very nature of their business; they cannot tolerate that kind of abuse of the land.

The thought occurred to me then, and it has since, that perhaps we should attribute some—kind of value to the fact these various operators throughout the West are taking care of millions of Federal acres, and I think doing a rather reasonable job at it.

Has that ever come to the point where it could be factored in as a credit perhaps in the grazing fee situation?

Mr. MARTIN. It is factored in very much in these formulas, these factors I have mentioned we have credited in making the comparison between private land rates, which as I say could go as high as \$7 and the one we suggested which is \$1.89. We have credited those users with a number of things they do under Federal regulations or because of Federal rules to deal with public lands.

Senator LAXALT. In terms of improvement?

Mr. MARTIN. Yes.

Senator LAXALT. Senator McClure raises the point that this is a cost and should include a benefit factor.

Mr. MARTIN. I don't know how to answer that. It is regardless of benefit. It is offset, what is charged to you. If they weren't credited with that they would be paying substantially more than we are asking at the present time.

Senator LAXALT. Getting back to the cost factor, are you relating this back retroactively to improvements that have been put in in the past or is this a prospective treatment?

Mr. MARTIN. It is proposed on a yearly basis but maybe I had better ask to make sure. Are we taking improvement that was made several years ago, prorating it over a number of years?

Mr. BELLINGER. The relationship was developed in the 1966 study and included improvements made during the previous 20 years.

Senator LAXALT. How are you treating that item? Suppose I put in a water hole and lined it and incurred substantial expense 15 years ago, and by normal accounting practices that is its normal life. Are you going to give me 15 more years on that?

Mr. MARTIN. On an individual lease basis, Senator, the answer is no. This is not figured on an individual lease basis. But in a cumulative sense, all of those are reflected and adjustments made on the overall lease. Those kind of things get really filtered through by the AUM formula.

Senator LAXALT. Are they negotiated on the local level then in terms of unusual improvements?

Mr. MARTIN. No. Improvements made on the public lands are funded, as I think you know, somewhat inadequately anyway. One of the ways to address this problem is to substantially increase that and I think we can show we have a record of doing that.

Senator McCURE. Would you yield on that question? I would hope too we might supplement the Federal funding, the public funding, by some increased private funding. We could do that if we would recognize that value and allow the permittee to then recover the value either through his lease or reduction in lease fee or that any successor lessee would reimburse him.

Mr. MARTIN. I would suggest, Senator, that is exactly what happens. The value of that permit does accrue to the individual who holds that lease permit and at the time that would be turned over for exchange, he would realize that value like any other homeowner or property owner. If he has made improvements which improve the value of that rangeland, he will realize that.

Senator McCURE. He will realize it in terms of increased utilization of the land but he has no assurance he will hold that permit long enough to recoup that.

Mr. MARTIN. He would recoup it at the time he sold it or passed it along to someone else.

Senator BUMPERS. Gentlemen, I am very reluctant to cut off questions.

Senator DOMENICI. I didn't ask any. I have two. I have listened, Mr. Chairman, may I just ask two?

Let me ask you this. The chairman asked if there are any of these leases put out for bid, and we have a nice explanation as to why that is impossible. Now what about lands down in New Mexico, around that White Sands area, that is a peculiar situation as I understand it.

Mr. MARTIN. I will have to have somebody help me on this. Where they are put up for competitive bid and there are provisions for that to be done.

Senator DOMENICI. I am not going to ask about the provisions, I don't want the Senators to have to listen to that whole answer—but I would like for you to give me a 5-year history of how many head were grazed on those lands and what was paid for it by the people bidding on it, if you would. I believe it would be relevant. It will shed something on the marketplace, the overall general marketplace as it has to do with the fair market value of leases.

Mr. MARTIN. I am not sure of your situation in the state there but overall the trends would be against what you suggest. The competitive figures go up very rapidly to over \$5.

[The information follows:]

The table below represents a 5-year history of bidding for grazing on the McGregor Range, New Mexico:

Year	Number of units	Acres	AUM's	Average per AUM
1973-74.....	10	226,000	42,600	\$3.41
1974-75.....	11	233,000	36,700	4.39
1975-76.....	11	214,000	44,850	5.31
1976-77.....	12	241,000	37,017	5.43
1977-78.....	11	209,000	35,006	3.53

Note: Bids for 1977-78 grazing ranged from a low of \$2.37 per AUM for a unit offering 2,092 AUM's to a high of \$6.50 per AUM for a unit offering 2,258 AUM's.

Senator DOMENICI. I believe it will prove in this case during the bad, bad year we had far less activity and far less people wanting it, far less bid price per head which I think is very relevant to market value. If it is that, I will share it with the Senators because it seems to me that you have to acknowledge that the cattle industry had has some bad years, isn't that correct? The Secretary told us until the last few months we had four in a row that were bad. You both agree with that?

Chief McGUIRE. We agree with that.

Mr. MARTIN. I would agree. I have some figures, I would like to supplement them and get them back to the committee. They are in published data from the Statistical Reporting Service that show the price of lambs now is the highest it has been in 15 years, the price of beef the highest in 3, and a number of things that indicate at least a better trend, although I am in agreement with you that is neither the whole story nor is it the trends you are basically talking about.

[Subsequent to the hearing the following information was submitted for the record:]

The January 1978 issue of "Agricultural Prices," a publication of the Crop Reporting Board of the Economics, Statistics, and Cooperatives Service of the Department of Agriculture states:

"The index of prices received by farmers for meat animals increased 9 points (5 percent) to 183 during the month ended January 15. Mid-January hog prices, averaging \$43.90 per cwt., showed a \$2.40 increase from mid-December 1977. The all beef cattle price was up \$1.50 per cwt. from mid-December to average \$37.20 and mid-month calf prices at \$40.80 were up \$3.00 per cwt. The index was up 25 points (16 percent) from January 1977.

An accompanying chart shows that average prices received by farmers for calves, lamb, and sheep have risen from 33.70 to 40.80, 48.50 to 61.00, and 13.30 to 16.30, respectively, between January 15, 1977 and January 15, 1978.

The December 1977 issue of "Western Livestock Roundup" contains a chart showing that average prices for choice steers have steadily risen from 1975 through 1977 and are projected to rise further.

The portions of the publications to which we refer are enclosed for the use of the Committee.

AGRICULTURAL PRICES

Released: January 31, 1978
3:00 P.M. ET



Economics, Statistics, &
Cooperatives Service

U.S. Department
of Agriculture
Washington, D.C.
20250

PRICES RECEIVED INDEX UP 4 POINTS PRICES PAID INDEX UP 5 POINTS

The January Index of Prices Received by Farmers increased 4 points (2 percent) from December to 185 percent of its January-December 1967 average, according to the Crop Reporting Board. Contributing most to the increase since December were higher prices for cattle, hogs, broilers, lettuce and tomatoes. Lower prices for eggs, milk, grapefruit and soybeans were partially offsetting. The index was 2 points (1 percent) above a year ago.

The Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes and Farm Wage Rates for January 15 was 208, up 5 points (2 percent) from mid-December. Higher prices for feeder livestock plus the annual updating of the indexes for interest, taxes, and farm services and cash rent accounted for nearly all the index rise. The index was 10 points (5 percent) above a year earlier.

SUMMARY TABLE

INDEX 1967=100	DEC	JAN	DEC 1977		JAN
	1976	1977	PRELIM.	REVISED	1978 PRELIM.
PRICES RECEIVED	178	183	181	181	185
PRICES PAID, INTEREST, TAXES, AND FARM WAGE RATES ^{1/}	192	198	203	203	208
RATIO ^{2/}	93	92	89	89	89

^{1/} MID-MONTH. ^{2/} RATIO OF INDEX OF PRICES RECEIVED BY FARMERS TO INDEX OF PRICES PAID, INTEREST, TAXES, AND FARM WAGE RATES.

PRICES RECEIVED BY FARMERS

The Index of Prices Received by Farmers increased 4 points (2 percent) from the previous month to 185 percent of its 1967 average. Compared with a year earlier the index was up 2 points (1 percent). Of the subgroups shown on page 7, the following contributed most the net change from a month earlier.

MEAT ANIMALS: The index of prices received by farmers for meat animals increased 9 points (5 percent) to 183 during the month ended January 15. Mid-January hog prices, averaging \$43.90 per cwt., showed a \$2.40 increase from mid-December 1977. The all beef cattle price was up \$1.50 per cwt from mid-December to average \$37.20 and mid-month calf prices at \$40.80 were up \$3.00 per cwt. The index was up 25 points (16 percent) from January 1977.

VEGETABLES: The index of prices received by farmers for all commercial vegetables for the first half of January at 186 increased 31 points (20 percent) from the revised index for the entire month of December 1977. Prices received in January were above December prices for all but cucumbers and onions. The index was 17 points (8 percent) below the index for the month of January 1977.

DAIRY PRODUCTS: The January index of prices received by farmers for dairy products for the entire month decreased 2 points (1 percent) to 203. The average price of all milk sold to plants and dealers decreased 10 cents per cwt to \$10.20. The index was 11 points (6 percent) above January 1977.

FOOD GRAINS: The January index of prices received by farmers for food grains at 179 increased 3 points (1½ percent) from the index for the previous month. Wheat averaged \$2.54 per bushel at mid-January, 7 cents above the average for the month of December. Rice at \$10.70 per cwt for the first half of January was down 30 cents from the average for the entire previous month. The index was 19 points (12 percent) above January 1977.

FRUIT: The index of prices received for all fruit for the entire month of January at 182 decreased 3 points (1½ percent) from December. Lower prices for grapefruit, lemons, and pears were only partially offset by higher prices for apples and oranges. The index was 63 points (53 percent) above a year ago.

OIL-BEARING CROPS: The January index of prices received by farmers for oil-bearing crops at 203 was 1 point (½ percent) below the previous month. Soybeans at \$5.63 per bushel at mid-January were 6 cents below the average for the month of December. Peanuts brought 21.5 cents per pound at mid-month, up 1.1 cent from a month earlier. Mid-January prices received for flaxseed averaged \$4.12 per bushel, 20 cents below a month earlier, while the mid-month cottonseed price at \$61.00 showed no change. The index was 42 points (17 percent) below a year earlier.

AVERAGE PRICES RECEIVED BY FARMERS FOR FARM PRODUCTS, UNITED STATES, JANUARY 1978
WITH COMPARISONS

COMMODITY	PRICE PER	UNIT	AVERAGE		JAN 1977	DEC 1977	DEC 1977	JAN 1978
			JAN 1970- DEC 1974	JAN 1975- DEC 1977	ENTIRE 1977 MONTH	ENTIRE 1977 MONTH	ENTIRE 1977 MONTH	ENTIRE 1978 MONTH
ALL WHEAT	BU	DOL			2.43		2.47	2.54
WINTER WHEAT	"	"			2.40		2.42	2.50
SPRING WHEAT	"	"			2.59		2.48	2.49
RICE, (ROUGH)	CWT	"			6.79		11.00	10.70
CORN	BU	"			2.34		1.96	1.96
OATS	"	"			1.58		1.12	1.12
BARLEY	"	"			2.19		1.79	1.79
SORGHUM GRAIN	CWT	"			3.59		3.05	3.07
ALL HAY, BALED	TON	"		60.90		49.50		50.50
COTTON, AMER. UPLAND	LB	CT 1/			62.7		47.9	47.8
PEANUTS	"	"		20.2		20.4		21.5
TOBACCO	"	"			113.6		117.9	121.3
COTTONSEED	TON	DOL		100.0		67.00		67.00
SOYBEANS	BU	"			6.81		5.69	5.63
FLAXSEED	"	"			7.04	4.32		4.12
POTATOES	CWT	"			3.44		3.01	3.21
SWEET POTATOES	"	"			7.78		11.30	11.90
DRY EDIBLE BEANS	"	"		14.10		22.80		21.60
DRY FLD PEAS (OPEN MKT)	"	"		11.10		16.10		15.40
APPLES, FRESH 3/	LB	CT			11.1		12.6	12.6
PEACHES, FRESH 3/	"	"			52.7			
STRAWBERRIES, FRESH 3/	"	"			140.00		207.00	195.00
PEARS, FRESH 3/	TON	DOL						
CITRUS (EQUIV ON-TREE) 3/	BOX	"						
GRAPEFRUIT	"	"			1.07		1.04	1.27
LEMONS	"	"			1.00		1.25	1.14
ORANGES	"	"			.91		3.70	3.71
TANGELOS	"	"			.09		3.43	3.31
TANGERINES	"	"			3.17		5.09	4.00
TEMPLES	"	"			.81			4.57
LIMES	"	"			47.10			22.70
ALL BEEF CATTLE	CWT	DOL		32.30		35.70		37.20
COWS	"	"		23.10		24.00		26.50
STEERS, HEIFERS	"	"		35.10		39.30		40.50
CALVES	"	"		33.70		37.80		40.80
HOGS	"	"		38.00		41.50		43.90
LAMBS	"	"		48.50		56.00		61.00
SHEEP	"	"		13.30		14.50		16.30
ALL MILK	CWT	DOL			9.65		10.30	2/10.20
MILK, FLUID MARKET	"	"			9.93		10.50	2/10.40
MILK, MANU. GRADE	"	"			8.48		9.16	2/9.12
BROILERS, LIVE	LB	CT			21.5		20.2	22.8
EGGS 4/	DOZ	"		65.1		53.6		49.4
TURKEYS, LIVE	LB	"		32.4		40.3		38.0
WOOL 5/	"	"			75.1		72.1	72.9
ADJ. FOR SEASON VARIATION								
ALL MILK	CWT	DOL			9.28		9.81	6/9.81
EGGS	DOZ	CT		57.6		46.6		44.1

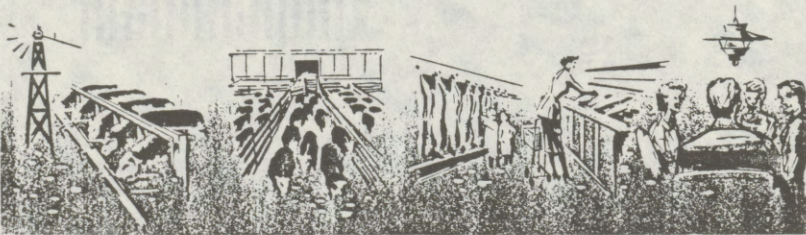
1/ ALL COTTON. 2/ PRELIMINARY. FAT TEST PERCENT FOR ALL MILK, 3.79; FLUID MILK, 3.80; MANUFACTURING GRADE, 3.79. 3/ EQUIVALENT PACKINGHOUSE-DOOR RETURNS FOR WASHINGTON AND OREGON, EQUIVALENT FIRST DELIVERY POINT RETURNS FOR CALIFORNIA, AND PRICES AS SOLD FOR OTHER STATES. 4/ ALL EGGS, INCLUDING HATCHING EGGS AND EGGS SOLD AT RETAIL. 5/ AVERAGE LOCAL PRICE, EXCLUDING INCENTIVE PAYMENT. 6/ PRELIMINARY.



DECEMBER 1977

FOCUS ON CATTLE	page 2
Slaughter Prices Slump	
Hog, Cow Slaughter Rising	
'78 Price Rise Predicted	
MEAT PRODUCTION, CONSUMPTION	3
Total Consumption To Increase	
Beef May Decline	
Rise For Pork, Poultry Production	
PASTURES AND RANGES	4
Central Plains Get Rains	
Northwest Coast Pastures Improve	
Central Coast Drought Continues	
FEED GRAINS	5
Exports Boost Prices	
Producer Selling Slow	
Expect Larger Carryover Stocks	
LAMBS	7
Strong Feeder Prices	
Slaughter Price Down	

This issue is based on data available through November 22, 1977.

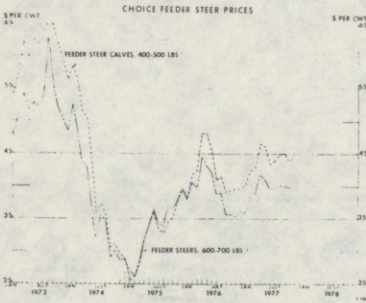


been placed in midwestern feedlots, where farmer-feeders traditionally feed cattle longer. Relatively low costs of gain and the expectation of higher slaughter cattle prices also enhance the probability of heavier weights.

To some extent, the increase in cattle from the fed sector will be offset by lower slaughter from the non-fed sector—cows, steers, and heifers from pastures. Several reasons for lower non-fed slaughter exist: 1) prices for yearlings and calves have improved from previous year's levels, 2) substantial cow slaughter for the past three years resulted in lower cow inventories, 3) fewer cattle are on poor pastures, 4) the industry is being told that the end of the liquidation phase of the cattle cycle is near and higher prices are expected. For many producers, this encourages practices of selling fewer cows, holding more heifers for breeding, and starting to plan to increase production to capitalize on the expected higher prices.

YEARLINGS, CALVES

The fall peak in the feeder cattle movement has passed. Partially due to dryness in some areas, some cattle had to be moved early, possibly limiting the depressing effects of potentially large marketings. In most regions, numbers were adequate to generate substantial marketings, particularly with respect to yearlings. In spite of recent strength in feed grain prices paid by cattle feeders, costs of gain are still low. This should continue to entice more placements of cattle on feed, boosting demand for feeder cattle. Improved range conditions and a larger hay crop mean that forage supplies are not as critical in most areas as last year. More cattlemen may have the option of holding breeding stock. Cow prices may trend upward from recent levels.



Partly reflecting lower calf crops since 1975, calf prices continue to be the brightest aspect of the cattle outlook. Numbers of calves on farms have dropped substantially. Higher calf prices generate interest in increasing cattle numbers. Strong demand for yearlings filters down to calf prices. Choice 300-400 pound calf prices are expected to average in the upper-\$40's per hundredweight next year, with some sales in the low-\$50's.

AVERAGE PRICES FOR CHOICE STEERS, U. S.

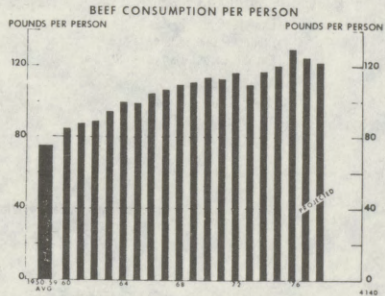
Year	600-700 lb. Yearlings	400-500 lb. Calves
Dollars per hundredweight		
1975	34	33
1976	39	41
1977a/	40	44
1978b/	mid-40's	upper-40's

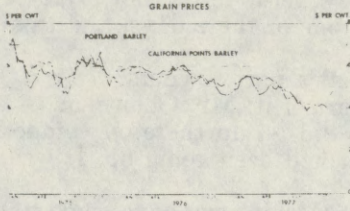
a. Preliminary. b/ Projected.



Meat Production Consumption

Total red meat consumption in 1978 could be record large, approaching 195 pounds per person (carcass weight). Beef consumption is expected to decline to around 122 pounds from the estimated 125 pounds this year. However, all of the decline in beef consumption likely will be more than offset by larger pork consumption, which may rise more than 10 percent. In addition, poultry meat output will also increase, possibly by 5-6 percent.



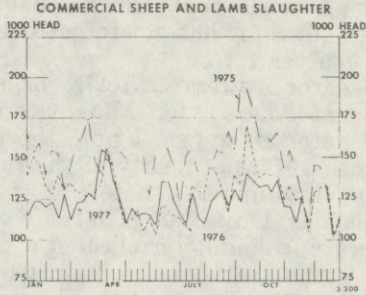


Grain costs to livestock feeders may fluctuate between \$3.75 and \$4.25 per hundredweight for corn and 3.50 and \$4.00 for sorghum in High Plains markets rough much of the first half of 1978. Feeding barley prices in High Plains and Mountain states are expected to be in a range of \$3.25 to \$3.75 per hundredweight, slightly below sorghum prices. Prices had strengthened to the lower end of these ranges in November. There is much uncertainty about how grain producers and users will respond to stronger prices. However, if export demand maintains recent strength, producers may not marketings enough to support prices near current levels through early spring. By corn planting time (May 1978), prospects for 1978 crops—along with economic and political events at home and abroad—could have considerable influence on grain prices.



Lambs

Weekly commercial slaughter of sheep and lambs fell to around 120 thousand head per week in November compared with 130 thousand for October and 133 thousand head average in September. This seasonal decline is less than in the fall of 1976. Slaughter declined as much as usual this fall because numbers increased less than usual in September. Some lambs went on feed early instead of going on ranges last spring and summer. Most of these lambs were slaughtered in July and August. Other lambs that were grazed on dry western ranges this summer required additional finish after they came off the range. Slaughter numbers may stay close to November levels through the winter months of 1978. Commercial slaughter of sheep and lambs for 1977 is expected to be 4-5 percent less than in 1976.



Slaughter lamb prices fell in November but remained mostly around the \$50 per hundredweight level except for a few heavy lambs that sold in a \$46-48 range. Feeder lamb prices continued strong at \$55-65 per hundredweight, but may ease by the first quarter of 1978. Slaughter lamb prices are not expected to recover materially before January or February of 1978.



SHEEP AND LAMBS ON FEED

Wyoming data was added to the November Sheep and Lamb on Feed Report and South Dakota data was dropped. Thus the release by SRS, USDA contained data for seven selected states, but numbers were available to make comparison with previous years for only five states. The number of sheep and lambs on feed in the five states on November 1, 1977 was 1,005,000 head, 4 percent below the previous year. The number for the seven states reported in 1977 was 1,185,000.

Senator DOMENICI. You couldn't go on for very many more bad years because you wouldn't have any herds left. They were selling them off. So it has got to get better one of these days, and this is in the 4th year.

Senator BUMPERS. McGregor, is that a part of yours?

Senator DOMENICI. McGregor is part of it, Mr. Chairman.

Senator BUMPERS. I note the rate did go up there on competitive bids in 1977, not nearly at the rate it had been going up. It was a 12 cent AUM increase there.

Senator DOMENICI. That is correct. I think we have some data to indicate it definitely reflected a downward trend because the market, the whole cattle industry was down. We will get their figures and supplement it by what the Agriculture Department gave us.

Just one last question. Do you have information as far as the comparability on private leases that relates exclusively to using private land for cattle as contrasted with horses and hobby-type horses?

Mr. MARTIN. I think some information has been developed on that and we can give it to you.

Senator DOMENICI. I understand very high prices are paid by people for private leases when they are using it for these very valuable hobby horses. It is not just insignificant, it is quite substantial, on some of the private leases.

Mr. MARTIN. We will provide that information.

[Subsequent to the hearing the following information was submitted for the record:]

We find that we do not have information on comparability on private leases with respect to use of land for cattle as contrasted with horses.

The March Farm and Ranch Survey does not have a question about hobby-type horse pasture rentals. The question asked relates to the average rate per head per month for cattle on nonirrigated privately owned grazing or pasture lands.

The question of comparison is not of vital importance because the private grazing land lease rate (PGLLR) is only used for indexing the 1966 fee rate of \$1.23 per animal unit month (AUM). The annual adjustment of the base level 1966 fee of \$1.23/AUM is to the relative year-to-year change in the PGLLR. The key factor is the relative change each year. The exact dollar figures each year are of much lesser importance. The PGLLR index predates the 1966 Western Livestock Grazing Study and the data has been collected for over 20 years.

Senator BUMPERS. Gentlemen, thank you very much for your attendance. We will be back in touch with you. We will probably want you to appear again. We will try to finish this up. I don't think all of the Senators got everything asked they wanted to ask.

[The prepared statement of Mr. Martin follows:]

STATEMENT OF HON. GUY MARTIN, ASSISTANT SECRETARY, LAND AND WATER RESOURCES, DEPARTMENT OF THE INTERIOR, ACCOMPANIED BY HON. JOHN R. MCGUIRE, CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE.

Mr. Chairman and members of the committee; thank you for the opportunity to appear before you this morning to present the Administration's views on S. 2297 and S. Res. 311 and to discuss with you the grazing fee procedures jointly developed and proposed by the Departments of the Interior and Agriculture. Both the bill and resolution under consideration this morning would once again postpone action on a problem which has been studied and debated and postponed for over 70 years.

S. 2297 would amend the Federal Land Policy and Management Act of 1976 to prohibit any increase in the present grazing fee for the 1978 grazing year.

Senate Resolution 311 would request the Secretary of the Interior and the Secretary of Agriculture to impose a moratorium on grazing fee increases for such periods as may be necessary to give appropriate committees a reasonable opportunity to hold hearings on the proposed new formula. No specific time frame is indicated.

As directed by Congress in the Federal Land Policy and Management Act of 1976, a grazing fee procedure was jointly recommended by the Department of the Interior and the Department of Agriculture in the report distributed to Congress and the public on October 21. The recommendation is straightforward. It calls for: (a) continued use of the 1966 base fair market value of \$1.23 per animal unit month; (b) continued use of the private grazing land rental rate as a basis for annual adjustments of fair market value; (c) a gradual adjustment of grazing fees from current levels to fair market value with a 25 percent limit on the annual increase; (d) once grazing fees are at the fair market value level, limitation of the amount of change in any one year to a plus or minus 12 percent of the fee changed the previous year; (e) under specified conditions, establishment of a limited variable fee starting in 1980 for a certain size-age livestock category; and (f) continued review and refinement of data used to determine annual change in grazing fees.

Implementation of this recommendation would result in an increase in fees from \$1.51 per AUM on BLM lands and \$1.60 on Forest Service lands to \$1.89 next year. If the recommended fee procedure is adopted, about 72 percent, or 18,000 of the 25,000 permittees who use public lands, will have an average \$60 increase in their 1978 grazing bill. About 1.5 percent, approximately 380 of the largest operators will experience an average increase of about \$3,800. We should point out that grazing fees constitute an average of only 3 to 8 percent of the cost of production.

The fee recommendations would increase grazing revenues by about \$6 million in 1978, bringing the total to about \$34 million. At least 62.5 percent of the grazing revenues will be returned to the Western States to be used for the benefit of the public lands or as support for local government budgets.

Prior to adopting any new fee system, both departments are faced with the need to issue permits and billings for the 1978 grazing season. To do so without causing delay or inconvenience to range users and without prejudging the final fee system, each department will issue permits on time. BLM will bill at the current rate of \$1.51 per AUM with minor exceptions, the Forest Service at an average of \$1.60 an AUM, and make any necessary adjustments later.

In arriving at the recommended fee system, the Secretaries decided, after a year-long study by the two departments, after the commitment of considerable effort and money, after evaluating public comments, and after extensive review, that a system which relates the cost of grazing on public lands to that on the private lands is the most direct, accurate, and equitable measure of fair market value—a fundamental requirement if the system is to be consistent with the declaration of Congressional policy in Section 102(a)(9), of the Federal Land Policy and Management Act that "the United States receive fair market value of the use of the public lands and their resources . . ."

The procedure recommended for arriving at fair market value recognizes and makes allowances for the difference in costs between using private lands as compared to public lands; it recognizes and makes allowances for the added restrictions and requirements imposed on permittees on public lands; and it uses, wherever possible, conservative values most beneficial to permittees to account for these differences.

The result is a system that sets the fair market value for grazing on public lands at \$2.38 per annum in 1978 using the average private leasing rate in the eleven Western states of \$7.06. In Section 401(a) of the Federal Land Policy and Management Act, Congress directed that in the study the Secretaries "shall take into consideration the costs of production, differences in forage values, and other factors as may relate to the reasonableness of such fees." As discussed in the report, systems for arriving at a fee schedule based on these factors were considered at length by the task force and the Secretaries. But the law does not state that the system for arriving at the value of grazing will be based on production costs. Instead, it requires the Secretaries to study, to consider, to use their best judgment, and to make a decision in the form of a recommendation, all in the context of meeting the fair market value objective in an equitable and reasonable manner—equitable and reasonable to those who use the grazing resource and to the general public that owns the land. This task has been completed on schedule and, in our opinion, as directed.

Nevertheless, the two Secretaries were sensitive to the need for time to review the study. That is why a commitment to allow members of Congress the opportunity to review the study before the recess and to allow a full 90 days for comment from proposed to final rulemaking was included with the recommendation. Proposed rulemaking was published on November 23. The comment period will close on February 21. In addition five public information meetings on the proposed action were held during the week of January 9 in five different Western States. At these meetings, information was provided and comments were received.

The two Secretaries are very much aware of the concerns and the actual situation which has led to the call for further delay in carrying out what we believe to be a clear Congressional directive and making long overdue decisions with regard to grazing fees. We continue to oppose the moratorium, however, and believe it will be beneficial to give you our perspective on why. Few deny that this overall issue has been before us, and unresolved, for too many years. In the Federal Land Policy and Management Act, it appears that the Congress reached that same resolution, subject only to further administrative action. By adopting the principle that "fair market value" would be the return for use of public resources, a fundamental basis for resource management was set. We believe this was a wise and essential decision.

In specific response to the grazing directive within that Act, we believe we have designed the best system to fairly assess and recover the fair market value for grazing. Other systems suggested, such as the technical committee recommendation, are valid alternatives but do not recover fair market value. A number of alternatives were considered seriously, but it was concluded that no overriding reasons exist to abandon the overall Congressional mandate for a fair public return for use of public resources. Our proposal, we believe, is well-founded; it is gradually applied and it meets the test of reasonableness on a comparative basis with private rangeland. A moratorium which seeks simply to delay a final decision under the present law appears to us to serve no purpose. Should the purpose of the delay be to write a new statutory standard for return from public resources, and should there be a great Congressional desire to do so, such a delay may be justified. However, we would say that the principle of fair market value is one which should not be abandoned in the absence of powerful reasons against it which we do not presently see. To specifically exclude commercial uses, such as grazing, from this standard, would establish an undesirable precedent at the very initiation of a good new law.

Better ways already exist to address the problems of a troubled industry, as the cattle industry is. Both Secretaries have pledged to work closely and cooperatively with the livestock industry on programs of assistance including research, range improvement, technical support, federal farm loans and other programs. A moratorium would require, as we see it, a congressional and executive branch conclusion that there are not far better ways to address the problems of a troubled industry than to upset a good new resource management system in order to hold fees at a level below the market.

Neither Secretary has a closed mind on the fee issue, but there is a belief that further delay alone is not constructive without clear action on the part of Congress to alter the basic law. While we do not believe this is wise, we would approach the task cooperatively and constructively.

SENATOR BUMPERS. Mr. Rhoads.

STATEMENT OF DEAN RHOADS, PRESIDENT, PUBLIC LANDS COUNCIL, TUSCARORA, NEV.

Mr. RHOADS. Mr. Chairman, Mr. Joseph Lane of the National Cattlemen's Association could not make it and I will be representing him also.

Senator BUMPERS. With that understanding, we will have Mr. Lane's statement made a part of the record.

Mr. RHOADS. Mr. Chairman, members of the subcommittee, my name is Dean Rhoads and I am from Tuscarora, Nev. I am currently serving as president of the Public Lands Council, an 11 Western State organization of livestock permittees. I am also a rancher and an assemblyman in the Nevada legislature.

I appear here today in behalf of the National Cattlemen's Association, the National Wool Growers Association and the Public Lands Council. I have submitted a joint statement of these organizations along with a supplemental statement of the National Cattlemen's Association presented by Mr. Joe Lane and respectfully request that these be included in the record of the hearings.

I am pleased to briefly summarize our concerns and position. We thank you and the members of the subcommittee for providing this opportunity for us to again express our views on this long-time issue—an acceptable grazing fee formula.

We have appeared before congressional and Senate subcommittees many times to discuss the grazing fee issue over the past several years. I have personally been involved in the grazing fee issue for some time. I have studied some 30 different grazing fee proposals. It is with great pride that I can state that for the first time in history the livestock industry is unanimous in supporting a grazing fee formula, not however, the Secretary's current proposal, but the technical committee's recommendation, which I will discuss with you later. The fragmented opposition that we normally see within our own ranks are not present today.

Members of our three organizations cannot accept the joint USDA-Interior report to Congress and its findings and recommendations. Our representatives have appeared before your subcommittee many times to discuss the grazing-fee issue over the past years.

Following the release of the technical committee report last February, we urged ranchers and communities to participate in the public hearings in the Western States. There was a good attendance at those hearings and the majority of the comments indicated that ranchers and community citizens felt that the cost of production and beef prices received should be part of any Federal grazing fee formula. The outlook following the hearings held by the grazing fee task force in the West was that things were moving along and that finally there would be an equitable resolution to this issue.

After hearing what the Secretaries are proposing for a grazing fee formula, that optimism dropped into great disappointment and frankly, a feeling by a good number of ranchers that their appearances were a waste of time and that all the work that went into responsible and constructive comment was for nothing. It may well have a lasting effect on the attitudes of many ranchers and westerners about participating in the public hearing process again.

What we are faced with, if the Secretaries' report is implemented are grazing fees that will reach the \$3 per AUM level in 3 years, and then a grazing fee that will rise a predictable 12 percent every year after that as the relationship between public land fees and private pasture fees begin to illustrate their effect on each other.

The fact is, if fees go up to the levels recommended in the Secretaries' report, there is no doubt that the increased cost to some ranchers will drive them right over the brink and out of business.

We would like to state why we feel that either a moratorium on our grazing fees should be passed or the technical committee's formula. We do not feel that the Secretaries' three major reasons for rejecting the committee's formula is adequate.

They are the following:

(1) The proposed indices livestock prices. Cost of production and the private land lease rate are not available and would be too costly to set up.

(2) Using costs of production and livestock prices in a formula would be subsidizing the ranchers.

(3) Livestock prices and cost of production input does not result in a true market value as called for in law.

Our answers to the above charges are as follows:

(1) The indices are already available as pointed out by the technical committee. The only index to be modified would be the private land lease rate index.

(2) The charge of us being subsidized could be turned around the other way—we, the ranchers, are actually subsidizing the general public and the Federal Government. We own the majority of the water, maintain it and the roads for recreationists, wildlife, and fire prevention. We take care of the general public when they get lost, hurt, have mechanical problems and get stuck—we are the ones that stop what we are doing to cater to them.

(3) Fair market value (FMV) has never been adequately defined. The Federal land agencies claim that fair market value is whatever the PLLR index determines. We (and apparently so does the technical committee and many leading economists in our western universities) claim that a truer fair market value is one that considers livestock prices and the costs of production.

To further clarify the issue of fair market value, we must realize that most private lands are of superior quality as they qualified for homestead, thus being more efficient for forage production.

Federal grazing permits generally furnishes only land and what forage God provides with only occasionally any improvements.

You could compare this to what we are willing to pay in rent for a furnished apartment as for the same apartment unfurnished, and especially we are unwilling to pay the same rent for an unfurnished apartment in a public housing project as would be required in, say, a fully furnished apartment in the Waldorf Towers.

We absolutely cannot accept the Secretaries' report nor its recommendation for the following major reasons.

First, there is inadequate data to validate the private land lease rate as currently reported by the ERS and used by BLM and the Forest Service in determining the private land lease rate index, as pointed out earlier by Senator Cannon and Senator Laxalt.

For example, the new survey taken in March and June of last year did not include two livestock producing State figures, those of Nevada and Arizona, two States which have 26.2 percent of all the Federal AUM's permitted in the West. So right off you have a 26 percent error factor and that is sizable to us.

In addition, agricultural economists, range scientists, Federal personnel, and even Secretary Andrus openly admit that the private land lease rate as currently published and used leaves a lot to be desired when it comes to statistical credibility.

They say it will be cleaned up by 1980 but they still have not included the five questions recommended by the technical committee

as additions to the survey questionnaire and it was the consensus of the technical committee that those questions were critical to even a half defensible private land lease rate survey.

Second, the report published by the Secretaries summarily dismissed the findings and recommendations of the technical committee, a group of professionals who are expert and knowledgeable about the factors that should be considered in a grazing fee formula. They were originally chosen for their expertise in their fields of range science, agricultural economics, survey design, and statistical skills.

These professionals recommended that a "cleaned up" version of the private land lease rate (including the additional five questions being added to the survey) would reflect the long range trend of what forage is worth, while the beef price index combined with considerations based on the prices paid index would indicate the short-run fluctuations in market and cost conditions. They stated that it was an efficient and consistent method of pricing Federal land forage resources and we agree with their assessment.

Third in our reasons for rejecting the recommendations of the Secretaries' report on grazing fees is their three paragraph, half-page consideration of the inflationary aspects of the proposed fee increases.

Chapter VI of the report, pages 4-35, states that "the (inflationary) impact potential of increased public land grazing fees on the national economy is minimal * * *" and goes on to say "Fees not collected are not available (to the Treasury) and must be replaced by additional taxes from other persons or businesses. Therefore, the inflationary impacts are not reduced by not collecting grazing fees."

Now, if taxes go up because permittees are driven—that is, priced—off the Federal rangelands, isn't that inflationary for those "other persons and businesses" where it is suggested in the report the money will be collected?

Fourth, the attitude of many environmentalists and some Government officials have indicated that our proposal would represent a cheap fee. Not true—our preliminary predictions are that 1976 grazing fees would be generally higher than our present 1977 fees. As a matter of fact looking back historically, in 1974 and 1975 the fees would have been well over \$2.

Referring to the Secretaries' report, the technical committee's fees, as recommended in 1973, have been enacted would have been \$1.86; in 1974 \$2.21; in 1975, \$2.08. I would like to note the fees in 1978 of \$1.65 is not complete, which was included in the Secretaries' report. This fee was only based on 6 months data.

The price of livestock increasing as well as the private land lease rate—1978 grazing fees under the proposal we recommend will be much higher than the \$1.65, if the technical committee's recommendation were approved. We will accept this \$2 or more grazing fees as they would have been in the middle 1970's if the economic conditions exist to pay them, which it did then. It doesn't today.

Gentlemen, due to two additional recent developments which took place several days ago during the visit of Vice President Mondale and Secretaries Bergland and Andrus in the West, we are confused.

Both Secretaries claim that their hands are tied on changing their October 21, 1977, grazing fee proposal. Yet Secretary Bergland stated January 12 in Reno that he was considering a plan to auction

off public grazing rights, and he further stated that he has directed his Forest Service attorneys to look into this possibility and expects an answer this spring.

Secretary Bergland also stated to Gov. Mike O'Callaghan, of Nevada, during this same time that he would explore ways to include the cost of production in the determination of grazing fees.

I believe that with the Secretaries' statements of considering other ideas, the facts presented in my previous testimony, is adequate reason for some legislative action.

Mr. Chairman, in closing, we are the first to admit that the livestock industry has been sometimes divided on the issue of what an acceptable grazing fee formula should be. We did not come back here today to tell you just what we do not want.

The Public Lands Council, representing both sheep and cattle permittees who graze their livestock on Federal lands, National Cattlemen's Association, National Wool Growers Association, urge your immediate consideration and legislative adoption of the technical committee's report and findings as published in the February 4, 1977, Federal Register. We do caution that the private land lease rate must have some major surgery before it will provide the information necessary to result in an equitable and reasonable grazing fee.

We enthusiastically urge this legislative adoption of the technical committee report recommendations and fee proposal. Or, if the press of last minute congressional activities precludes such action, that the Congress declare a moratorium until they have had an opportunity to legislate the technical committee recommendations.

Hopefully, with the issue settled in this manner, we can once again get back to work providing food and fiber from the Federal rangelands and get to work on the range improvement and betterment efforts to create a fully productive rangeland environment for all of us.

That concludes my talk.

Senator BUMPERS. I think at this point we might as well go ahead and get the other statements and then we can question you both.

[The prepared statements of Mr. Rhoads and Mr. Lane follow:]

STATEMENT OF DEAN RHOADS, PRESIDENT, PUBLIC LANDS COUNCIL,
TUSCARORA, NEV.

Mr. Chairman, I am Dean Rhoads of Tuscarora, Nevada, President of the Public Lands Council (PLC), an organization of livestock permittees in 11 western states. I am also a rancher, and an Assemblyman in the Nevada Legislature.

I appear here today to present the joint views of the National Cattlemen's Association, the Public Lands Council, and the National Wool Growers Association on a long-time issue: an acceptable grazing fee formula. We cannot accept the joint USDA-Department of Interior report to Congress as proposed.

Thank you, Mr. Chairman and members of this committee for the opportunity to again express our desires on this important matter. PLC and livestock representatives have appeared in many hearings over the past several years concerning the fee issue. In fact, eight field hearings by the Federal land agencies were conducted on the grazing fee issue and an acceptable grazing fee formula. As leaders, we encouraged the industry and the general public to participate. It was very encouraging to see the large turnout and to see that a majority of the responses indicated that a change in the fee system was needed, and that the Private Land Lease Rate Index is inadequate and livestock prices and costs of production should be included.¹ Mr. Chairman, from talking to many people who participated

¹ "Study of Fees for Grazing of Livestock on Federal Lands." Report from the Secretaries of Agriculture and Interior, Oct. 21, 1977; Appendix B, "Report of Public Comments," pp. B-7—B-24.

in these hearings, we had the impression that for the first time the land agencies are actually sincerely interested and would be responsive to our needs. We came away from those hearings and subsequent meetings with agency officials feeling that the long disputed grazing fee issue would finally be settled.

Then, on October 21 in Denver, Secretary Cecil Andrus told us that we would be paying \$1.98 in 1978 with 25 percent annual increases over the next three years. I have consulted with agricultural economists and have the following projections for the future: 1979—\$2.36; 1980—\$2.95; 1981—\$2.30 (at 12 percent). An annual fluctuation of up to 12 percent would be authorized after 1980 and increases of 12 percent will be almost automatic if the past historical pattern continues.

We want it known that the livestock industry is willing to pay a reasonable and equitable grazing fee as mandated by the Act. The \$1.89 fee for 1978 is of some concern to us, however, the major problem is the future. When fees get to this 1980 level, you will see permits going vacant if current cattle prices continue. This will be particularly true in many areas of the more arid Western States. We cannot accept the Secretaries' recommendations for the following reasons:

1. Inadequate data

The present plan that arrives at Fair Market Value by using the Private Land Lease Rate Index is erroneous. This data collection method has been attacked for many years by not only agricultural economists, but even by federal land officials themselves. At the Denver meeting with Secretary Andrus, he admitted that this method has some problems. But, he added that a continuation of the study would be made and hopefully they would be able to correct the deficiencies by 1970.

A good example of the injustice of this plan is to look at Nevada's input in this survey. Our state has over 900 permittees using the public lands. In 1971 only 11 responses were used, while in 1972, 1973, and 1974 only 8; 1975—9; and here is the most shocking of them all, in 1976 and 1977—0—none were used at all. They stated that the data was discarded due to sample being too small. It is quite shocking to learn that in the last two years our true private lessee rate has not even been determined, and in previous years only a token response or none at all was considered. In 1977 Arizona also had 0 responses and other years were "quite small". These two states have 26.2 percent of the total AUM's on the Federal Lands. How can you determine the true Fair Market Value for one-fourth of the permittees (these two states) when they haven't used any of the responses in these areas for the past 2 years?

2. Technical Committee Report

A Technical Committee was formed in July of 1976 consisting of members from the Economic Research Service, USDA, Statistical Research Service, Forest Service, and the Bureau of Land Management. This committee was formed to prepare a report on "Public Land Grazing".

Of major concern to Committee members was the quality of the data used to compute the Private Land Lease Rate Index. The Technical Committee recommended that five questions be added to the Survey. They noted that in the past, the Private Land Lease Rate Index had failed to account for short-term adjustments in resource evaluation.

In February 1977, the Technical Committee made its recommendation. The proposed formula consisting of an improved Private Land Lease Rate Index survey along with beef prices, and prices paid be used because it "provides for a consistent and efficient method of pricing the public grazing resources. This formula will reflect long term instabilities in grazing values, and at the same time account for short term instabilities in either livestock prices or input prices."

Mr. Chairman, the Task Force report submitted to Congress on October 21 summarily dismissed the findings of the Technical Committee, stating that agricultural income was not the issue and that data was not adequate to determine the relationship between costs and prices even if they did consider those factors. However, the Technical Committee estimated that a survey for the purpose of refining needed data and making it more adequate would cost approximately \$20,000—a mere pittance in light of the importance of the issue.

We would like to note that two of the members of the four-man Technical Committee were also on the four-member Task Force Committee. A third member of the Technical Committee was the consultant on the Task Force. You would think that if the three members had agreed to the merits of the Technical Committee's recommendations that their input would have been reflected in the Secretary's report.

The reason given for rejecting the November 1976 Technical Committee Grazing Fee Formula is not acceptable to us.

The Grazing Fee Task Force Report stated that to consider cost of production items normally associated with ranching operations in the Western States in relation to average prices received would institute a "subsidy" of a small portion of a much larger industry and would therefore be unfair. We wholeheartedly disagree with this statement. We agree with the Technical Committee that the Private Land Lease Rate Index survey will indicate the long range trend of what livestock forage is worth; while the livestock prices and prices paid index will reflect the short-range fluctuations. In the words of the Technical Committee we agree fully that this formula would be a consistent and efficient method of pricing the public grazing resources.

Mr. Chairman, in the past, the livestock industry has been sometime divided on the issue of an acceptable grazing fee formula. We did not come back here today to only tell you what we don't want. The Public Lands Council, an organization of both sheep and cattle permittees on our public lands, the National Cattlemen's Association, an organization of cattle producers and cattle feeders, and the National Wool Growers Association urge your immediate consideration of the Technical Committee's November 1976 report.

While the industry is quite skeptical of using any part of the Private Land Lease Rate Index, we are confident that the changes suggested by this committee will help "clean-up" the inadequacies of the PLLRI survey. With the addition of livestock prices and the prices paid index included in this formula that is both reasonable and equitable for the general public and the users. This will meet the requirements of the Federal Land Management Policy Act. However, we must caution this Committee that it must be made very clear to everyone concerned that the PLLRI survey must have "major surgery" in order to provide information that will result in an equitable and reasonable grazing fee.

We enthusiastically urge this committee to adopt this fee proposal before the 1978 grazing season. Short of this action, we would recommend an immediate moratorium until such time as Congress determines otherwise. While this constant squabble goes on, the need for range improvements continues to increase. Hopefully, if this issue is settled, we can, in the future, all of us, work together to reach our goals that are necessary to feed, shelter, and provide recreation for all of us.

STATEMENT OF JOE LANE, CHAIRMAN, NATIONAL CATTLEMEN'S ASSOCIATION,
PUBLIC LANDS COMMITTEE

Mr. Chairman, with the passage of the BLM Organic Act in October 1976, the Western States public land based livestock industry saw for the first time, an opportunity provided by Congress that would establish a grazing fee "equitable to the United States and to the holders of grazing permits and leases on such lands." The act directed the Secretaries of Interior and Agriculture to take into consideration the costs of production normally associated with domestic livestock grazing in the eleven Western States, as well as the inherent differences in forage values and any other such factors that possibly might relate to the reasonableness of such fees.

Prior to the passage of the Organic Act, both agencies, BLM and Forest Service, determined grazing fees according to a schedule under what is commonly called the Udall-Freeman Formula. Acknowledged inaccuracies in the Udall-Freeman Formula and dramatic changes in the attitudes and management theories concerning public lands called for an investigation into the establishment of grazing fees. Consequently, the Organic Act and its direction to the Secretaries of Interior and Agriculture.

Mr. Chairman, members of the subcommittee, with all the aforementioned intention and effort on the part of Congress, the livestock industry, both agencies, and the general public, it is clear that the administration has refused to make any significant improvement in the way grazing fees are determined and instead suggest that we, in effect, revert to the Udall-Freeman formula. Additionally, they propose that the livestock industry, reeling from the worst economic times in our history and still suffering through an extended drought, be charged with fee increases of 25 percent this year, 25 percent next year and 25 percent again in 1980. These fee determinations, in our estimation, are based upon incomplete and outdated information. These figures reflect an increase that is four times greater than the national recognized rate of inflation.

The intention of the proposed increases is, we are told, to bring public land fees up to a level equivalent to private land fees. While we in the livestock industry in the western states do not expect to graze these lands for less than a "fair fee", we

do believe that fees should be established on complete and current data, on accurate data reflecting the permittees ability to pay for forage, and on data and subsequent proposals that consider the future of the individual operator and his family as a viable economic unit.

The report made much of the idea that this proposed increase would only increase the fees of 72 percent of the Nation's permittees by \$60. According to the report, the 72 percent mentioned run an average of 32 cows with calves for 5 months on the public lands. While \$60 a year is a comparatively small increase in today's expensive economy, the question runs much deeper and has more ramifications for western state's ranchers than the report would indicate. In your consideration of this matter, you should know that while 72 percent of the permittees only average 32 cows with calves for 5 months, in reality, a viable economic unit would have to be larger. An operation of 32 cows with calves as depicted would be a hobby rancher with additional income from another source or he would be a rancher with only a limited use of Federal lands and who grazes the rest of his livestock on state owned or private land.

The full-time family rancher in the Western States has to maintain a herd of, at least, 100 cows with calves before he can even consider earning a living solely on his ranch operation.

Even though the average permittee in this group of 72 percent runs 32 cows and calves for 5 months and even though he may more easily absorb the increase, it is likely that his income is not based solely on his cattle operation. A man and his family running 150 cows and calves for 12 months though, would see his total fee increase \$630 in 1978, and 25 percent more in 1979, and again in 1980. That is not a modest increase.

As a matter of fact and using the data on the graph on page 4-40 of the report, the family rancher who runs from 58 to 317 head on western public lands represents 55 percent of the total AUM's used and their average increase would amount to much more than \$60.

The current administration, while publically stating total support of the family farm and ranch, is on the other hand, proposing increases annually that are four times greater than the annual national inflation rate. The fee increases are themselves inflationary by forcing up the cost of the rancher's operation and endangering his ability to stay in business. A rancher out-of-business does not pay taxes or hire employees and moreover he does not produce food. Fighting inflation by increasing inflation for family ranchers and the local rural, State and regional economies depending on viable economic contributions from the livestock industry does not make sense.

Arbitrarily increasing fees by the proposed method will increase cash costs, decrease net ranch income and increase risk in ranching. Additionally increasing fees to the point where society captures full forage value effects an income transfer from ranching to the public by eliminating the rancher owned investment in his permit value.

The question facing the Western States public land rancher is how much lower can the rancher's return on invested capital be and still keep the rancher investment feasible. Increased grazing fees cause the return in invested capital to decrease when an arbitrary fee level is set contrary to a method devised to reflect his true ability to pay based on his cost of production and the price he receives for his live animal at market.

Our concern lies chiefly with the family rancher's ability to live with an increase in fees based primarily on predetermined percentage increases with no calculation for the rancher's ability to pay. We believe that this largest share of the increase expense arising from the fee increase will be absorbed by the family's living allowance since the return to capital invested is not able to fluctuate with a predetermined percentage increase in fee.

For these reasons the National Cattlemen's Association (NCA) supports the concept of the Technical Committee's report and endorses the principal out-lined in the joint statement presented by Mr. Rhoads and strongly urges that Congress adopt these changes immediately. Falling short of that, we strongly recommend that a moratorium be imposed until such time Congress can appropriately resolve the grazing fee issue.

Senator BUMPERS. Mr. Datt.

**STATEMENT OF JOHN C. DATT, DIRECTOR, WASHINGTON OFFICE,
AMERICAN FARM BUREAU FEDERATION**

Mr. DATT. Mr. Chairman, we appreciate this opportunity to present the views of farmers and ranchers on Senate Resolution 311 and S. 2297, a bill to replace a moratorium on grazing fees for 1978.

The American Farm Bureau Federation is a general farm organization with a total membership of more than 2.8 million families in 49 States and Puerto Rico. It is a voluntary, nongovernment organization.

At the 59th annual meeting of the American Farm Bureau Federation, held in Houston, Tex., in January 1978, the voting delegates of the member State Farm Bureau adopted the following policy:

Congress should establish land use principles for the grazing of Federal lands. These should include: (h) An equitable fee structure including recognition of a return on the capital investment in a permit as a factor in annual operating costs and incorporation of the price of marketable livestock and the costs of doing business in the grazing fee formula.

The Technical Committee Report published in the Federal Register (vol. 42, No. 24, dated Feb. 4, 1977), proposed a Federal grazing fee structure to be based on valid data which, if adopted, would assure equitable and realistic treatment of all parties concerned.

We recommended that this fee proposal be adopted beginning with the next grazing season. If this fee proposal is not adopted, we respectfully request an immediate moratorium on fee increases until an alternate schedule based on accurate contemporary data can be enacted by Congress after appropriate committee hearings in the Western States.

Farm Bureau was very much disappointed with the report and recommendations on grazing fees submitted by the Secretaries of the Interior and Agriculture, as required by the Federal Land Policy and Management Act of 1977.

Congress directed as a part of Public Law 94-579, that an equitable fee formula be developed for grazing on Federal lands. We suggest to you, Mr. Chairman and members of the subcommittee, that the grazing fee formula recommended by the two Secretaries is not equitable.

The recommended formula ignores the preponderance of testimony presented at many special public hearings specifically called to identify factors that would make the existing formula equitable.

Let me say the farm bureaus in the West spent considerable time and energy and money in terms of participating in these hearings that were held out there with the idea it was the intention of the Congress that they wanted to hear and have first hand information in trying to develop this formula; as my colleague on the left has suggested, it is somewhat of a disillusionment that as a result of all of the work that has been done and this technical committee report having been developed, the two Secretaries then completely ignored it. The folks in the country say what is the purpose of the whole exercise if after going through all of this, it is ignored?

As a result, I think we have created a serious problem as it relates to this type of participation in the future.

Each and every hearing heard testimony emphasizing the need to include balancing economic factors in any new formula. Among users and range scientists it was agreed that a cost of production index and

a price of livestock index are essential factors in a fair market value grazing fee formula.

The Secretaries' formula would, over time, have devastating consequences on many elements of the economy of the public land States. It would be a severe blow to a substantial segment of the western livestock industry which is already facing severe economic problems. It would increase grazing fee costs to the grazers on Federal lands by \$6 million per year. Further, it would set in motion a cycle of grazing fee increases that would intensify existing inequities and would force livestock into private lands which are already in critically short supply. A more appropriate formula must be adopted if injuries to the public lands are to be avoided.

We appreciate this subcommittee's interest, involvement, and efforts to help to resolve the problem before us. While a fee moratorium would give all parties involved additional time for further study, it must be pointed out that this issue has been studied for 15 years. In our opinion, a moratorium is not the best action that can be taken.

We urge that the subcommittee recommend adoption of the formula proposed by the Grazing Fee Technical Committee. This committee was made up of competent and knowledgeable persons on the subject of grazing livestock on Federal lands. We believe the formula it recommended would be equitable both to the United States and to the grazers on Federal lands.

We consider it absolutely necessary that the costs of producing livestock on Federal lands and the prices received for the livestock produced on these lands be included as balancing factors in any grazing fee formula that is adopted. We believe the addition of at least these two indexes to the Secretaries' formula is essential. These two factors are particularly relevant at this time due to the severely depressed condition of the western livestock industry. The formula recommended by the technical committee includes these balancing factors.

We feel very strongly that the technical committee's recommendation would be far more equitable than the formula recommended by the Secretaries of the Interior and Agriculture, and that it would have a minimum adverse effect upon the economically depressed western livestock industry.

We sincerely urge you to report legislation adopting the technical committee's recommendation. If that is not possible, we urge you to support a moratorium, as proposed in S. 2297.

Let me say, as my colleague on the left has indicated earlier, there is agreement between the Farm Bureau, the cattlemen, and other users in the West on this issue. This is one of the first times this has occurred, and as a result of that we urge the technical committee's recommendations be adopted.

Senator BUMPERS. Thank you. Senator Hansen.

Senator HANSEN. I just want to make two observations. Earlier the Secretary spoke about the average rise in the cost of grazing cattle on public lands. If this fee is proposed by the Secretary, is put into effect, I think he said it would cost about \$60 extra, and the implication was that was minimal.

In the testimony Mr. Lane submits, he points out, "In your consideration of this matter, you should know that while 72 percent of the permittees only average 32 cows with calves for 5 months, in reality,

a viable economic unit would have to be larger." And that is exactly true. When you try to take averages, you lose sight of what is the situation in the real world.

The livestock operator who makes all of his living from running cattle cannot possibly survive on the average numbers that are reflected in the averages of the size of a grazing permit. So the impact is far greater than would be concluded from the average that was spoken about earlier.

Second, as Senator Laxalt pointed out, where no one is contending to institute this grazing fee increase will put everybody out of the cow business, that is not true at all. What it will do is to put out of business those marginal operators that just now have their noses above water, and I submit that ought to be a very real concern to every Member of the Congress.

We are trying to keep the small unit, the small family operation, in business. You must consider those people. I think to fail to do that certainly accentuates the movement toward the big operation you spoke about earlier.

Last, Mr. Chairman, I would say I think the testimony by Mr. Datt from the Farm Bureau is very good. It seems to me he focuses on the point members of the committee were trying to make. I think when he says the subcommittee recommend the adoption of a formula proposed by the Grazing Fee Technical Committee, that seems to me to make sense.

Senator McCLURE. Just to underscore one part of the testimony Senator Hansen has already made reference to, and that is the average size of operation. If we take 32 head, assuming every calf lives long enough to proceed to market, you have to average \$300 a head net return to have \$10,000 a year income. That may not strike anybody who is unfamiliar with the cattle business as being a ridiculous proposition but anyone who is familiar with the cattle business knows how far from reality that kind of a figure is.

Senator BUMPERS. Senator McClure, so we get it in proper perspective, I think I follow you, you are using the 32 cow/calf operation. Senator Hansen, was that figure you used on public grazing only?

Senator HANSEN. I think the statement as I recall was made by the Secretary when he said 72 percent of the permittees had 32 cows and calves, an average-off.

Senator McCLURE. I think that was 72 percent below—and it averaged 32 per operator.

Senator BUMPERS. My question was, was the Secretary referring only to the cattle in that 72 percent that ran on public lands, or did it include the total herd?

Mr. RHOADS. It was probably public lands. But in our statistics 87 percent of all of the livestock in the United States is owned in herds of less than 100. So most of these people are people, who have a service station, doctor or lawyer, they like to have cattle around. If they lose money on their cattle, that is fine.

Senator BUMPERS. You are looking at one lawyer—I sold mine to run for Governor. For a while, I sort of wanted them back. But I don't anymore.

Senator McCLURE. You are double lucky.

Senator BUMPERS. I ran against Rockefeller. He didn't have to sell his cattle.

Senator McCCLURE. And he had more than 32 head. The only reason I mention that is when you look at the justification of the grazing fee by saying statistically it doesn't amount to much, you are talking about people who are simply not in the business as their main livelihood.

I notice the ANC says it takes at least a hundred head. My guesstimate in Idaho that there would be 250 to 300 head in an average cow/calf operation for a viable full-time cow/calf operation to make any kind of a living. When I say any kind of a living, that is including any return on invested capital. It is not just return on wages or management skills.

I just think when we focus at a 32 head or a 100 head operation as being typical or anything that justifies action by the Federal Government, we are almost totally missing the point.

Senator LAXALT. Just a couple of points, Mr. Chairman. I was impressed by the statements because I think they stressed a couple of points that have to be made. One is the so-called minimal increase \$60 a year, is not representative here; it just plain doesn't mean a thing.

What we are talking about is a viable operation, at least 150 head, maybe closer to 250 head. When you think in terms of the increase, you are talking about \$630 the first year. I have a suspicion this will be bad in terms of marginal operations, but you are talking about also a 25 percent increase in succeeding years, four times the rate of inflation, without any demonstrated need for it, which I think is a strong point.

I think the last point, which has to be reemphasized here, is that the technical committee was a broadbased committee obtaining input from the industry itself. They came forward, as I saw it, with a good, comprehensive report.

What we have before us now is a proposed increase which does not contain decent comparabilities based on private holdings as opposed to public—does it? I know it does not include figures on Nevada and Arizona. That is 25 percent of the action.

I think you have made an excellent case on the merits, and I think you have made an excellent case to the subcommittee in support of sitting back and taking a look at this thing, a moratorium. I thank you for your presentations.

Mr. DATT. Senator Laxalt, I made the point, I think it has to be repeated, the cattlemen in the West went into this thing, they participated in this. They did it in a sincere desire to arrive at an equitable answer and having done that, you come along and having done all that you get two Secretaries saying no, we don't want that, we will completely ignore that, we will do what we wanted to do anyhow.

As a result of this you raise further the credibility of Government and its ability to function.

Senator LAXALT. Sometimes you think you are being played games with. We hold those hearings. We compose committees. I remember as Governor we composed committees and invariably come back with recommendations which are by and large ignored. We end up with a recommendation of the bureaucrats. And this is a prime example of it happening once again.

Senator McCLURE. I might add, that is the reason I asked Senator Cannon the question I did. I think Congress recognized the results had been wrong, and that is the reason we asked for a new study. So we went through the mechanics of a new study but came out with the same old results. As a matter of fact, I think Secretary Martin said very candidly that this really was not anything new. It was something that was decided in 1969, and I think he is right.

Senator BUMPERS. Thank you very much for your attendance.
Mr. Poole.

STATEMENT OF DANIEL A. POOLE, PRESIDENT, WILDLIFE MANAGEMENT INSTITUTE

Mr. POOLE. My name is Danial A. Poole, president of the Wildlife Management Institute. I know the hour is getting late. I will, with your permission, submit my statement for the record.

From the standpoint of giving you a little historical perspective, I have some additional remarks and I will brief them, if I may.

In our opinion, Mr. Chairman, the subject of grazing fees has been studied to death. Statistically if not politically, and to a depth that no congressional committee could ever hope to match.

Further and most important, I believe that those officers, directors, and staffs of national livestock groups—and I might add farming groups, agriculture groups—that are pressing this issue are unaware of—or perhaps do not give thought to—the fact that a large segment of the public, both East and West, is becoming impatient with the continual haggling over this issue.

These people, East and West, know that they “own” the public lands as much as anyone else. They are aware of the findings of such studies as the 1975 “Range Condition Report” prepared on request for the Senate Committee on Appropriations and the “Effects of Livestock Grazing on Wildlife, Watershed, Recreation and Other Resource Values,” prepared by the Bureau of Land Management, also in 1975. They know that, in many areas, there are too many grazing animals on the range and at the wrong times.

I do not regard myself nor any of the staff members of my organization as a “professional environmentalist,” to use the words of the National Cattlemen’s Association, the Public Lands Council, and the National Wool Growers Association in their scattergun news release attacking the Secretaries’ decision. Nor do I believe that my organization’s recommendation are, to quote the release, “unrealistic and socialistic.”

Nor do I believe that charging fair market value would, to quote their release, “literally destroy thousands of family livestock operations throughout the 11 Western States.”

Nor do I believe—in this day of liberal Government subsidies and the return of an average of 62.5 percent of the annual grazing fees collected to the States and counties in which they are collected—that the U.S. livestock industry is “the last stronghold of free enterprise in this Nation.” In the 11 Western States, compared to the livestock growers elsewhere, I would say that the livestock industry is an advantaged industry.

If I could characterize today's hearing in a single sentence, Mr. Chairman, it would be to say that this is where I came in when I came to Washington from Montana in 1952. The very first public lands issues in which I became involved included efforts to "stabilize the livestock industry dependent on the public range," to freeze grazing privileges in current holders and their chosen successors, and to make it impossible for the Secretary of Agriculture to change allotment boundaries or the number of kind of permitted livestock. Interior Secretary McKay, a westerner, called it "a lousy bill."

During the 1950's the U.S. Chamber of Commerce led a campaign for the sale of public lands and for no further extension of National Forests or Parks. The President of the chamber at that time, while a Florida resident, was a stockholder, director and vice president of one of the larger corporations growing sheep and cattle in the southwest. His brother, at that time, had been president of the New Mexico Wool Growers Association for 23 years.

This kind of railing against the Forest Service and the Bureau of Land Management went on during the 1950's and 1960's. Tenure, grazing fees, and stability were the rallying cry. As you are well aware, the subject is not without emotion.

In 1963, in response to Secretary of the Interior Stewart Udall increasing the BLM grazing fee by 11 cents per AUM—that is, from 19 to 30 cents—the Nevada State Legislature enacted what it called an emergency resolution, signed by the Governor, that called the Bureau of Land Management "the tapeworm of the livestock industry."

During this period, at least two groups; one based in Nevada, called the Western Industry Organization, and a second, reported in the magazine of the Idaho Wool Growers Association to be supported by the National Wool Growers Association and the American National Cattlemen's Association, were seeking contributions of 5 cents per AUM from public lands grazing permittees to battle against grazing fee increases and to bird dog the work of the Public Land Law Review Commission—a heavy tax in view of the low grazing fee.

I conclude my comments by quoting two gentlemen, both known to most members of this committee.

The first, Stewart Udall, then Secretary of the Interior, said this at the American National Cattlemen's Association 1963 annual meeting:

There is no escaping the hard fact that new rules are mandatory if further decline of western grazing areas is to be halted.

We are caught up in the initial stage of a revolutionary period which will work far-reaching changes of the western range. Americans who never gave it a thought before are discovering by the tens of thousands that the public lands are in truth the public's land. The weight of public opinion, and it grows stronger daily, refuses to tolerate further delay in adapting the management of these public lands to meet modern needs.

Fortunately, many range sites can be rehabilitated with modern knowledge and techniques—if the tired land can rest and if the investment money is available. All the funds cannot come from tax sources. The user must pay a fair share that will return him an economic benefit . . . The issue of an increase in range fees has been studied to exhaustion.

In 1973, respected Wayne Aspinall, former chairman of the House Interior Committee and chairman of the Public Land Law Review Commission, observed at the same cattlemen's convention:

In my opinion, one of the most counterproductive things you could do is direct all your efforts toward resisting an increase in grazing fees unless whatever is proposed is very clearly out of line. For all consumptive users, at least for the next

five to ten years, the question is not going to be whether fees will be lowered or raised, but whether any rights at all are to be retained on the public lands.

I don't believe the Secretaries' proposal is out of line. In fact, by basing their recommendation on the lower BLM fee, rather than the higher Forest Service fee, or an average of the two, they have built in a further concession to grazing permittees.

Senator McCURE. May I ask this question: That is your quote, not Mr. Aspinall's?

Mr. POOLE. Yes. I crossed it out. My secretary took some liberties.

In my time in Washington, Mr. Chairman, I have been privileged to know many Members of Congress from both sides of the aisle. I am well aware of the pressures that can be brought to bear on the Members. It is my personal opinion that the officers and directors of the same few organizations that, for these many years, saddle up and ride to Washington every few years on this transparent fee issue, are doing the Members, as well as themselves, a disservice.

The time of all of us would be better spent by working for adequate appropriations so that range rehabilitation could proceed to restore the tremendous acreage of public land that is in less than good or a deteriorating condition. A number of national wildlife conservation organizations appear regularly before the Appropriations Committees in support of range management funds. We must be doing some good, because the appropriations are going up. We are not opposed to livestockmen or to public land grazing. We are willing to work with these folks.

But we are deeply opposed to continued destruction of the public range and all the values that are involved. Instead of arguing over what is left, we should be cooperating to restore and perpetuate the full scale of public land values.

[The prepared statement of Mr. Poole follows:]

STATEMENT OF DANIEL A. POOLE, PRESIDENT, WILDLIFE MANAGEMENT INSTITUTE

Mr. Chairman, I am Daniel A. Poole, president of the Wildlife Management Institute. The Institute's program, initiated in 1911, is devoted to the restoration and improved management of renewable natural resources. We appreciate the committee's invitation to comment on public land grazing fees.

The Institute opposes the imposition of a moratorium for any period on the planned increase in the charges being made for grazing livestock on public lands. Beginning with the 1978 grazing season, we support the immediate increase of grazing fees toward fair market value as defined in the "Study of Fees for Grazing Livestock on Federal Lands," the October 21, 1977 report of the Secretaries of Agriculture and Interior.

In our opinion, the time is nearing when elements of the public will begin to demand that livestock be removed from Federal lands. That would be an unfortunate occurrence, for both grazing and wildlife interests. It is a biological fact that properly managed livestock grazing can be of considerable benefit to certain types of wildlife using rangeland habitat. Thus, wildlife stands to lose a lot if livestock grazing were banished.

Conversely, mismanagement of livestock grazing has degraded or destroyed wildlife habitat on millions of acres of federal public land. That fact is forcefully presented in two Bureau of Land Management reports issued in 1975 . . . the "Range Condition Report" prepared for the Senate Committee on Appropriations and the report on "Effects of Livestock Grazing on Wildlife, Watershed, Recreation and Other Resource Values in Nevada."

Those reports show that more than 80 percent of BLM's grazing land is in less than good condition. Sixteen percent is still deteriorating, and that percentage is increasing. The plain fact is that there are too many livestock grazing the public lands at the wrong time and for too long each year. The lands' ability to support either livestock or wildlife is being destroyed. At current management levels,

5.6 million more acres of BLM's rangelands will be eroded seriously by the year 2000. Also by that time, 4 million more acres of wildlife habitat will be destroyed, and 1.2 million animal unit months of livestock grazing will be lost annually.

That is a completely untenable situation that the public will not accept. Although the basic cause of the currently deplorable condition of the public rangelands and the dire projections for the years ahead rise from failure of successive Congresses and Administrations to provide the leadership, authority, money and manpower needed to improve rangeland management, the public land grazing permittees will be the primary ones to bear the public's wrath.

There is one way, in our opinion, to assure that livestock grazing will be maintained on the federal public lands. That is for programs to be strengthened whereby livestock grazing is managed effectively and the lands are restored to and kept at full productivity of all the multiple values they are capable of providing. Fair market value grazing fees would supply some of the money needed to do that job since an average of 62 percent of the receipts are re-invested in range improvements. Additionally, by charging what public land grazing really is worth, it would eliminate some livestock that are on the land only because the grazing is cheap.

S. 2297 and S. Res. 311 would hinder accomplishment of those objectives.

Although we would prefer that grazing fees be raised all the way to fair market value in the 1978 season, as is proposed in H.R. 9888 by Congressman Tsongas (Mass.), we long have supported the current garzing formula for attaining fair market value and would accept the formula proposed by the Secretaries. We accept it, however, providing there are no interruptions in its application. And, further, we accept the fee formula because it is a truer reflection of the value of public land forage. The "cost of production index" favored by the Western livestock industry, and rejected by the Secretaries, is a measurement of a rancher's whole operation, not forage value. We see no valid reason why inefficiency and poor business judgment should be made part of the pricing system for the value of forage on public lands.

The enactment of either would delay the attainment of fair market value for public forage which, aside from the very practical reasons already mentioned, apparently is required by law, congressional directive, and executive policy. Failure to increase the fee as recommended by the Secretaries would reduce the amount of range restoration funds that would be available.

Senator BUMPERS. Mr. Clapper.

**STATEMENT OF LOUIS S. CLAPPER, DIRECTOR OF CONSERVATION,
NATIONAL WILDLIFE FEDERATION, ACCOMPANIED BY BOYD
RASMUSSEN, CONSULTANT, NATIONAL WILDLIFE FEDERATION**

Mr. CLAPPER. I am Louis Clapper. I am accompanied by Boyd Rasmussen, former Director of BLM, sitting behind me here. He will be on hand to answer questions if you so desire. He is consultant to the National Wildlife Federation.

To telescope my testimony, I wanted to point out as a matter of principle we believe a nation should receive fair market value for its natural resources: timber, minerals, and forage—a concept going back at least as far as a Bureau of the Budget circular issued in 1959. Further, the Federation is firm in its conviction that grazing on Federal lands is a privilege to be controlled by the Federal Government, not a right which should be capitalized into a value for a permit holder.

Further, for many years now, the National Wildlife Federation has advocated sound, scientific management of the Nation's land resources—a goal difficult to achieve in light of severe staffing limitations imposed on the Bureau of Land Management and the Forest Service.

We have endorsed the multiple use concept wherein all beneficial purposes are balanced and held within the sustained-yield carrying capacities of the ranges, without domination by any one interest.

And, for many years now, we have sought appropriations which would provide for rehabilitation of the public lands, hopefully improving the quantity and quality of forage for the benefit of both livestock and wildlife. Half of the grazing fees, of course, go back into range rehabilitation.

We note that the Federal Land Policy and Management Act of 1976 set out as a purpose of the study just completed that a fee should be charged for grazing on Federal lands "which is equitable to the United States and to the holder of permits and leases on such lands."

To us, equity to all concerned can be achieved through the payment of fair market value for the public's forage, as established in the formula adopted in 1969, with some modifications. Ideally, perhaps, equity would best be achieved by competitive bidding in which the grazers could truly compare their potential benefits from the public range with the opportunities on private lands.

This method would eliminate controversies about cost of production factors such as transportation, herding, predator losses, range improvements, forage quality, et cetera, and establish a true market value.

We also take special note of the grazing study report (pages 1-8) where it points out that equity should be fair to the livestock owners who do not have the opportunity to graze on public lands. Frankly, it is a mystery to us why the other segments of the livestock industry have not protested against what has been obvious discrimination in favor of a relatively small number of operators.

Since the time I prepared this material we got a letter from one of our vice presidents who raises cattle in Kentucky and comments on the proposed regulation.

We believe the fees charged for forage on public lands should be comparable or competitive with those charged for similar private lands.

Mr. Chairman, an entire chapter in the study report is devoted to the lengthy history of grazing fees. It illustrates that the situation has been studied amply. The current plan, initiated in 1969, has been held up by moratoria in 1970, 1975, and 1977, and the increase in 1972 was limited to a negligible 3 percent. The target date for fair market value is 1980, and we believe that the Congress should allow this phase-in to proceed in an orderly fashion.

Thank you again for the opportunity of making these remarks.
[The letter referred to by Mr. Clapper follows:]

KENTUCKY CHAROLAIS ASSN.,
Cynthiana, Ky., December 27, 1977.

GEORGE L. TURCOTT,
Acting Director, Bureau of Land Management,
Department of Interior, Washington, D.C.

DEAR MR. TURCOTT: I am writing to express my support for the grazing fee increases proposed by the BLM and the Forest Service.

For years a small segment of the livestock industry, located primarily in the West, has received a government subsidy in the form of below fair market value public land grazing fees. As a cattleman myself, who must purchase his land, fence it and pay taxes on it, I find it quite hard to swallow this windfall for the few. It places me and my fellow cattlemen in the East at a competitive disadvantage in the market place. It is even more distasteful when one stops to think that we who have to purchase our land, pay taxes on our land, fence our land and care for it properly and manage it properly to compete with folks who

are not even paying a fair market value for grazing on land which is partly owned by each of us citizens of the United States.

I sincerely hope that the Bureau will not only hold its ground but continue to push for fair market value grazing fees. Again, you have my full support and in all probability that of all the "silent majority" in the livestock industry and for sure all those who are private land owners.

Thank you for your consideration.

Yours truly,

F. R. SCROGGIN, M.D.

LA VERKIN, UTAH,
November 30, 1977.

DIRECTOR BUREAU OF LAND MANAGEMENT,
Washington, D.C.

DEAR SIR: You ask for comments in regard to adjusting the grazing fees on federal range land. I have been wondering how long it would be before the Government would start making these "cry babes", the cattlemen, who run on Federal land, start paying for what they have been getting for nothing. However, in my opinion, you are not raising the fee enough.

I am a cattleman, and I run on private land. It costs me \$4 to \$5 per month to feed a cow. It costs the cattlemen that run on Federal land \$1.50, and I have to compete with them.

Stick by your decision to adjust the fee and don't let them talk you out of it. I think the BLM and the Forest Service fees are the biggest welfare rip off we have in our country.

We have 200,000 or more sportsmen in our State alone that would like more deer and elk on Federal land, but they can't get them because the cattlemen "cry" too much.

In my opinion the welfare program for the cattlemen should be discontinued. They should pay a competitive fee for their feed.

Thank you for letting me voice my opinion.

Sincerely yours,

REED WILSON.

Senator BUMPERS. Mr. Zagata.

STATEMENT OF DR. MICHAEL D. ZAGATA, WASHINGTON REPRESENTATIVE, NATIONAL AUDUBON SOCIETY

Dr. ZAGATA. Mr. Chairman, members of this subcommittee, thank you for this opportunity to testify on S. 2297 and Senate Resolution 311, legislative proposals which would provide a moratorium on grazing fee increases.

I am Dr. Michael D. Zagata, Washington representative of the National Audubon Society, a nonprofit conservation organization with 400,000 members organized into 402 chapters throughout these United States. The National Audubon Society is one of the oldest, largest and most experienced membership organizations devoted to conservation in general, and specifically to the protection and enhancement of wildlife populations and the ecosystems upon which those populations depend for their survival.

It is because of our long established concern for wildlife and its habitat that we are testifying today. The National Audubon Society's primary concern is that our national grazing lands, be they administered by the Forest Service or the Bureau of Land Management, be properly utilized and managed under the multiple-use philosophy espoused by the Federal Land Policy and Management Act of 1976.

The abuse of public lands, especially the crucial riparian habitat, by overgrazing with domestic livestock is an anachronism in this era of growing environmental concern and cannot be tolerated. Range forage is a renewable resource and the National Audubon Society can

support its use by livestock only to the extent that the amount of forage removed annually is commensurate with sound range and wildlife management principles. The fact that 83 percent of our rangelands are producing at less than their potential is a serious and adverse reflection on the public agencies charged by Congress with their stewardship.

The role that grazing fees should play in achieving sound range management is difficult to define. However, the Society believes that if section 102(a)(9) of the Federal Land Policy and Management Act of 1976 is executed and the United States does indeed " * * * receive fair market values * * *" for grazing on public lands that many of the current abuses in grazing land use will be eliminated.

At the present time, however, the value of a grazing permit, alluded to by Senator Hansen, is sometimes as high as \$1,500 per animal unit. Obviously, the United States cannot now be receiving fair market value or grazing permits would not have such a high monetary value. The grazing fee task force has addressed the problem of eliminating discrepancies between public and private grazing fees and, in so doing, has provided the framework for eliminating the problem of permit values.

This is extremely important, because efforts to cope with overgrazing problems by reducing livestock numbers are now often hotly contested by ranchers reluctant to reduce the value of their national forest permit or national resource land lease.

If S. 2297 were passed, it would delay the implementation of the task force's recommendations and defer an increase in grazing fees for the second year in a row. This is disadvantageous in the short run because it encourages range abuse and in the long run because it reduces the amount of money allocated to the range betterment fund to be used directly for range improvement and rehabilitation under the Federal Land Policy and Management Act of 1976. Fifty percent of the grazing fees collected are to be returned to this fund.

If the proposed system is allowed to proceed, the grazing fee for both the Forest Service and the Bureau of Land Management would be \$1.89 per AUM for 1978. This is less than the \$2.15 fee on Forest Service lands and the \$2.09 fee on Bureau of Land Management lands that would be levied in 1978 under the existing system. Neither fee would equal the 1978 fair market value of \$2.38 per AUM.

Indeed, the lessee on public lands is still afforded a high margin of super or windfall profit over the rancher using private range. The going rate for private grazing rights is \$7.05 per AUM. The task force, using the rancher's data, has calculated that it costs \$1.23 per AUM more to graze an animal on public land, combined cattle and sheep weighted average, than it does on private.

Thus, by combining the fair market value of \$2.38 per AUM with the added cost of grazing on public land of \$1.23 per AUM we obtain a figure of \$3.61 per AUM. This is \$3.44 per AUM less than the cost of grazing on private land. Thus, even under the initial phases of this new system a grazing permit or lease will have considerable monetary value.

I would like to point out only 4 percent of the forage for livestock comes from public lands. Therefore help to this sector that benefits directly by grazing on public lands will only benefit a small minority of those engaged in those producing livestock.

In summary, Mr. Chairman, the National Audubon Society supports the objectives of the FLPMA of 1976 to improve the condition of our Nation's public grazing lands. We often hear that the lower fees for grazing allotments on public lands are justified because of the lower quality of the forage. Where the quality is lower, it is lower because of a long history of abuse and not because, in most cases, of inherently lower potential.

We have watched with dismay as riparian habitat, crucial to wildlife inhabiting our western rangelands, has been overgrazed or intentionally destroyed. We have watched as ranchers have continued to push for the short term gains at the expense of the resource and have opposed attempts by the Forest Service and the Bureau of Land Management to initiate conservation practices.

Indeed, their opposition to raising the grazing fees to fair market value is against their own long-term interest because if they are successful less money would be returned to the range betterment fund.

We would hope that these exploitive users of our public lands would view the range betterment fund as an opportunity to make an investment in their future and the future of their offspring by supporting the minimal increases in grazing fees called for in the task force's report.

Thank you for this opportunity to testify.

Senator BUMPERS. Thank you.

Mr. Burdick.

STATEMENT OF JOHN M. BURDICK, EXECUTIVE DIRECTOR, CITIZENS COMMITTEE ON NATURAL RESOURCES

Mr. BURDICK. Thank you, Mr. Chairman. I am John M. Burdick, executive director of the Citizens Committee on Natural Resources.

I think at this point it might be a more efficient use of our time if I simply ask that my statement opposing the two pieces of pending legislation be submitted and printed in the record in full.

I will simply pass on testifying at this time.

[The prepared statement of Mr. Burdick follows:]

STATEMENT OF JOHN M. BURDICK, EXECUTIVE DIRECTOR, CITIZENS COMMITTEE ON NATURAL RESOURCES

Mr. Chairman, I am John M. Burdick, Executive Director of the Citizens Committee on Natural Resources. The Citizens Committee was formed in 1954 by a group of distinguished conservationists concerned with the protection and sound management of our Nation's resources.

Mr. Chairman, the Citizens Committee strongly opposes the moratorium on grazing fees increases proposed by the pending legislation. Continuance of the present grazing fee subsidy is, in our judgment, bad for the range, bad for the people of this country, and bad even for the grazing permittees. We believe instead that the grazing fee should be raised immediately to full market value and maintained at that level without further tinkering by the Administration or by Congress. Legislation which does that has been introduced on the House side by Mr. Tsongas.

Maintenance of grazing animals on the public range at a subsidized rate has been a key factor in encouraging the overgrazing and consequent deterioration of the range so evident in the Western States. The present fee structure provides ranchers with a strong incentive for putting excess animals on the land for excessively long grazing seasons. If the economics of public land grazing were rectified, we believe that a substantial step would have been taken toward dealing with the grave environmental problems grazing has caused.

We see no good public policy argument for why a small percentage of grazers should receive favorable treatment while users of private lands pay full costs for

forage. Even the Administration valuation of fair market value appears quite low when compared to private land rates and to auction sales of grazing rights. While we recognize that private land users are provided services not available on the public lands, the differential between the Administration valuation and the average private land rate seems excessive. It is hard to be sympathetic, therefore, to cattlemen who seek to lower fees, or who are seeking a fee formula which may drive the fee below a dollar.

Finally, Mr. Chairman, I would like to point out that the BLM Organic Act authorizes use of half the grazing fee for range improvements. It is agreed on all sides that such improvements are desperately required. Imposition of a higher fee would expedite these needed improvements, benefitting all users of the land, and especially the permittees.

Thank you, Mr. Chairman, for this opportunity to present the views of the Citizens Committee on Natural Resources.

Senator BUMPERS. One thing I have noted is that Dr. Zagata is the only person who addressed the environmental-wildlife habitat problems with this and the possibility that overgrazing—everybody else just seemed to agree with the principle that grazing fees ought to be brought up to the fair market level.

Dr. Zagata, do you have any evidence or proof or feelings about whether or not these lands are being overgrazed?

Dr. ZAGATA. At present, Mr. Chairman, as I indicated in my testimony, 83 percent of our public lands are producing at less than potential. This information was published in a 1975 range condition report prepared by the BLM on request from the Senate Committee on Appropriations. So I think we can indicate with credibility that the ranges are being overutilized.

I would also like to add, however, much of this is due to trespass cattle. We would hope in Appropriations hearings the BLM would be given the budget and also the personnel to improve and increase their enforcing on public lands.

Senator BUMPERS. Do you have any feeling, any of you, I could not get this from the Secretary awhile ago, let's take Nevada, for example; about 68 percent of the cattle in Nevada graze on public lands. About how many acres generally in that State is considered a suitable AUM? How many acres? We talk about cow/calf units. I assume we are talking about AUM, that is essentially the same thing.

Senator McCLURE. That is right.

Senator BUMPERS. How many acres does it take to carry a cow/calf in Nevada?

Mr. POOLE. The range management people can answer that precisely. Some of that information is in the two reports each of us has talked about. One to the Senate Appropriations Committee and the other one, the more specific one, on Nevada. Depending on the land in some cases the land can be quite extensive. All it relates to is the amount of forage.

If you get into the poorer soils, the dryer areas, you need more land for the cattle to get sufficient forage. If I may, Senator, I would like to point out, while I did not read this one statement on the letter of the Wildlife Management Institute, most of our concerns expressed there relate to the deterioration and destruction of the habitat for wildlife as a result of improper management of livestock.

Senator BUMPERS. How would raising prices to fair market values deal with that issue?

Dr. ZAGATA. Fifty percent of the money generated from that increase would go back for direct range improvement. It goes into the

range betterment fund, so it is in the long-term interest of the cattle people to support the fee increase because it is going to go back directly to enhance their lands. In the long run it may leave you an increase in the animal units the lands will tolerate.

Senator BUMPERS. Is 50 percent of the present fees coming out of grazing going back to the States?

Dr. ZAGATA. Yes.

Mr. BURDICK. Through the authorization process, but as appropriated by Congress.

Mr. CLAPPER. An additional 12½ percent in lieu of taxes and that makes it 62½ percent total.

Senator BUMPERS. The figure Mr. Martin gave this morning, 62½ percent.

Dr. ZAGATA. It is 50 percent of the range betterment fund, 12½ percent by BLM in lieu of taxes, and 25 percent from the Forest Service to State and local governments.

Mr. CLAPPER. In response to your particular question, Mr. Chairman, I am informed from 10 to 20 acres in Nevada would likely constitute an average AUM.

Senator BUMPERS. Ten to twenty acres?

Mr. CLAPPER. Yes.

Mr. BURDICK. Senator Bumpers, there is a direct connection between the low grazing fee that has been charged and overgrazing. In effect, when the fee is substantially less than fair market value, every time you put a cow on the range that cow is a subsidized animal, that is to say it is going on to the range for much less than it would in say, private lands, or elsewhere. So there is an incentive to ranchers to put more than the range would normally bear because they are getting those extra benefits.

Senator BUMPERS. So far as revenues to the Treasury are concerned or to BLM, if you increase the amount of land per AUM, say, by 50 percent, even though you raise the grazing fees, you also cut the amount of total revenues that come into the Treasury, would you not?

Dr. ZAGATA. Yes.

Senator HANSEN. Mr. Chairman, I would like to point out, just in case there might be some misunderstanding, I guess you were the gentleman who spoke about the incentive to put more cattle on.

Mr. BURDICK. That is correct.

Senator HANSEN. Isn't it a fact the number of livestock that are permitted under a permit either on the BLM or the Forest Service lands are set and arrived at by Federal officials?

Mr. BURDICK. Yes, sir.

Senator HANSEN. It might be easier—I don't think it is fair to infer the rancher—

Mr. BURDICK. I think there is tremendous pressure from the ranchers to put more cattle on.

Senator HANSEN. There may be pressures but can you cite any evidence that there has been a Federal reflection of those pressures?

Dr. ZAGATA. I think in the State of Nevada last year there was some backing off due to political pressure, the same type of pressure the gentleman here earlier wanted to be recognized by the people who had testified in the hearing, is the same kind of pressure that can be brought to bear on BLM officials or Forest Service officials in a State and cause those officials to back down.

And, when they back down or ease up, the result is deterioration of the range. There are many cases on the record where the officials had to reverse their position.

Mr. POOLE. This may sound like an isolated circumstance, perhaps it is but at least it is very recent, in a BLM grazing district in the vicinity of Kingman, Ariz., the district manager found 500 head of livestock in trespass. That was 500 head over and above what the permittee was allowed to have on the land. It is discovery of that and his steps to take action to bring the livestock down to the number permitted which resulted in a series of letters to the Secretary of Interior suggesting this gentleman might serve the BLM well in Alaska or some other far distant point.

That is not an unusual circumstance.

Senator BUMPERS. My experience with this sort of thing, we have an inactive military base with about 100,000 acres, a good portion of which is put out for lease on 5-year terms. It is just a mile from my home. I used to represent some of the ranchers who bid on that land every year and then I found myself in an antagonistic position because when I was Governor the constant complaint was coming to me from both the Game and Fish Commissioner, the Wildlife Federation, who had some rights on this grazing area, that the ranchers were consistently running more head than they were authorized to run under the lease, and that is what we were talking about.

Every time they would squawk to me, I would squawk to the military and they would get in their helicopters and go overfly the area and do a head count. They never did catch this fellow in violation. It's not that he wasn't. Maybe he just got them off because he had some adjoining private lands.

But I am wondering, that piqued my curiosity about intense enforcement is on the inventory of cattle.

Senator McCCLURE. Might I just make this comment before we get too far afield in this question of trespass. The fact that there may be 500 animals in trespass certainly is not related to the level of grazing fees. If it were it might have an inverse effect on grazing fees. By raising the grazing fees, you might have more trespassing.

But I don't think you can say trespass occurs because of the level of grazing fees. It occurs because somebody is trying to make a buck. There are always some people who are just outside of the law, regardless of what the law is.

Senator BUMPERS. What you are saying is the pressures will increase if you raise the grazing fees?

Senator McCCLURE. Possibly.

Senator BUMPERS. If you want to cheat, you can make a lot of money in this world.

Senator HANSEN. I think Senator McClure is right in saying let's not confuse these two things. You can talk about a whole lot of things, crime in the District.

Senator McCCLURE. The price of beef is high. If you lower the price of beef, you won't have any crime in the District.

Mr. POOLE. I think it is illustrative of the fact, BLM, and the Forest Service to a lesser degree, has too few people to properly manage all uses of public lands.

Senator HANSEN. I would have to submit, Mr. Chairman, there has been some present obfuscation of the testimony when you are

talking about trespassing and these things. These are not issues directly related to the amount of the fee. I think that is one thing. Figuring out what that should be is separate and distinct as contrasted with the overuse. I know we have had a lot of work done by the Forest Service in Wyoming in cooperation with State government where the charge has been made the range was deteriorating, and it is interesting to see what was found there. We have had some mighty fine scientists who have cooperated and when a study has been put on to look at a range over a period of time, it has not deteriorated.

I think a good example is the Red Desert in southern Wyoming. Dr. Ava Nelson, who for a long time was head of the botany department at the University of Wyoming, as a young man made a study of the Red Desert. He did it in a very scientific fashion. He selected random samplings—I think Boyd knows about this—he went back 50 years later, he found the Red Desert had a much higher carrying capacity 50 years later than it had at first but the average person crossing Wyoming looking at it, the Red Desert, would look out at it and say this country is going to hell.

As a matter of fact, that was not borne out by the study that was made on it. So it is awfully easy to look at a poor piece of range and to say this shows you what happens when a range is grazed by livestock.

Dr. ZAGATA. I wanted to address your statement. He made that study prior to the Taylor Grazing Act. By the time he got to the Red Desert it may already have been highly overgrazed and as a result of some management on its way to improving that—

Senator HANSEN. Dr. Nelson's span at the University of Wyoming extended far beyond the establishment of the BLM, as I am sure you know that was about 1935.

Dr. ZAGATA. Before that. It was a grazing service.

Senator HANSEN. All I am saying is you look at his figures and I think my statement will bear close examination. I don't know what you are trying to imply. The fact is over a 50-year period of time Dr. Ava Nelson found the Red Desert had improved, not deteriorated.

Dr. ZAGATA. What I was trying to point out was when he got there it may have been in a bad state of deterioration and it improved.

Senator HANSEN. All I said was it improved. I didn't say anything else.

Senator BUMPERS. I think I understand both of you.

Senator McCLURE. I detect in the minds of several of you that the idea of any reduction in livestock numbers, however arrived at, is a desirable result.

Mr. POOLE. That is a generalization, Senator.

Senator McCLURE. Running through the statements is that conclusion. I would want to disabuse the record of that conclusion if, as a matter of fact, that is not what you are trying to say. I think everyone of us will recognize certain areas of public lands have been abused and damaged by overuse, whether it be by domestic livestock or by wild horses and burros or by any one of several uses that may occur. Natural and manmade environments, and man's use of that environment suffers when that occurs.

Better management can occur if we get more money and I recognize the role you gentlemen and your organizations have played in getting appropriation levels up and more intensive management applied. But more people and more money do not always have these results. Sometimes they can get in their own way.

I think we can demonstrate some of that, too, but I do not think this should be simply an adverse proceeding in which wildlife people are in necessary conflict with good range users. The grazing fee issue may be seized upon by some who want to indiscriminately reduce numbers rather than the discriminating management decisions which ought to be made, irrespective of the grazing fee.

I think the level of grazing on the unit land is something totally unrelated to the level of grazing fees except the indirect effect of increased flows of money from management.

If as a matter of fact you at the same time arise grazing fees 20 percent and decrease the allotment, you will have less money for management of that unit than before and that is an offsetting factor.

Mr. POOLE. In terms of the range, Senator, the number of animals out there has got to be based on a capability of the land to produce the forage without deterioration to the land or all of the other public land values associated with it.

Senator McCLURE. No question about it.

Mr. POOLE. I think it would be helpful to you in the long term if anyone, in fact, were to try to use this solely as a means of reducing use, that is not the point.

Senator McCLURE. That should not be the point.

Mr. POOLE. My whole interest is in getting management for the land.

Senator McCLURE. I don't disagree with that. I think the great majority of grazers in the West would not disagree with that. There are differing judgments as to how you get there just as there are differing judgments as to a fair grazing fee.

I am really distressed when I hear national organizations talk about windfall profits to an industry that is going broke. I see a super-profit figure in one of these statements. Tell that to a guy who was just down to his bank increasing his mortgage.

Dr. ZAGATA. I have advantage over someone else because I have a lower fixed cost.

Senator McCLURE. If in fact your fixed cost is lower. You are proceeding from that assumption.

Dr. ZAGATA. Based on the grazing fee.

Senator McCLURE. And you are doing that with the calculated exclusion of the capital cost of the acquisition, is that right?

Dr. ZAGATA. At the same time I am also letting the \$1.23 be counted in when indeed I think I can demonstrate there are subsidies that eliminate that.

Senator McCLURE. But you have in fact eliminated any capital investment in grazing, is that not a fact?

Dr. ZAGATA. No, it is not a fact.

Senator McCLURE. You have included what may be paid for a permit?

Senator HANSEN [presiding]. Did you include the \$1,500 you referred to on the second page?

Dr. ZAGATA. No. I would like to do away with that \$1,500.

Senator HANSEN. Did you just say to Senator McClure you have included it?

Dr. ZAGATA. I have included a differential in the cost of grazing on public land of \$1.23 per AUM and I have not included the grazing fee value or the grazing permit value because I think it should be done away with.

Senator McCCLURE. You think it should be done away with? But as a matter of fact there is capital investment in grazing permits, is there not?

Dr. ZAGATA. There is also——

Senator McCCLURE. Just answer my question if you would. Do you know of your own knowledge whether or not there is money paid for grazing permits?

Dr. ZAGATA. Yes, there is.

Senator McCCLURE. That is not included in your calculations?

Dr. ZAGATA. No.

Senator McCCLURE. Because you don't desire it to be there?

Dr. ZAGATA. Not only because I don't desire it but I don't think the public desires it.

Senator McCCLURE. I understand your point, but the fact is money is paid and has been paid for over 40 years, and you don't like it so you ignore it and calculate it out.

Dr. ZAGATA. If that money is paid it is because the person who is grazing on public lands is able to graze at a lesser amount, pay a lesser amount than the person on private lands.

Senator McCCLURE. That does not necessarily fall.

Dr. ZAGATA. It certainly does.

Senator McCCLURE. It certainly does not. The fact that it may be less may increase its value but it does not say there is no value. If, as a matter of fact, there is no value to grazing on the public lands they wouldn't be there at all.

Dr. ZAGATA. If we raise right now the grazing fee on public lands to what is being paid on private lands, I can say with a great deal of certainty that that permit value would be nonexistent.

Senator McCCLURE. And there will probably be no animals on the public lands, which again maybe you desire.

Dr. ZAGATA. No, I do not and I made that clear in my statement.

Senator McCCLURE. I would agree with you if as a matter of fact you destroy the value of the permit by raising fees they would have no value left.

Dr. ZAGATA. They still need the land to graze on, to grow cattle.

Senator McCCLURE. But they have to make money at it or they are not going to do it just to provide a public service.

Dr. ZAGATA. The private man is making money and he is paying \$7.06.

Senator HANSEN. If you will look at some statements, and your statement seems to callously ignore what the facts are today, I refer to the situation in Wyoming, and these are USDA figures, that the average farm and ranch income for 1976 was \$241. That is what the average farmer and rancher had for whole farm income.

I hope the farmers in Iowa where they are being subjected to this kind of competition are not as bad off as they are in the West. If they are, I would think the farm land values there are going to drop, because the story is these days in the West with respect to a livestock operation that the price may be, say, \$500,000 for an outfit but if you are willing to let the rancher throw the cattle in, he will knock off \$50,000.

Senator McCCLURE. I might confess if we had started at the outset with no permit and the permit had never acquired a value, there could be some equity in maintaining that system. But when, over a 40-year period, the permits have acquired value, you don't just destroy

the value of the permit. You would also destroy or diminish the value of the base lands.

So you are not just dealing in a vacuum with some ideal. You are dealing in the reality of what exists at the present time with people who have invested their entire life in a ranching operation, and it could be destroyed or greatly diminished in value by arbitrary action of the Government. That is not to say we cannot deal with theoretical ideals in discussions. But the application of the theoretical ideal may also destroy the lives and livelihood of the people who have spent a lifetime in the area and certainly greatly affect the value of investments that have been made repeatedly over the last 40 or 50 years.

I do not dispute the idea that a permit has value. It has a value to the operator. It has a value to the Government. It has a value to society in general. Yet if we try to look at a private grazing lease on private lands or grazing permit on private lands without recognizing that its comparative value with public lands is unequal because of the capitalized base behind the private land as compared to refusing that capitalized base to the public land, I think what Secretary Martin said earlier, if we just put 4 percent capitalized value we would reduce the grazing fee by perhaps maybe an erroneous calculation—maybe it is correct, I have not done it—but I think they confuse the fact that the value of the base land is intimately related to the grazing permit to which it is appurtenant.

I do not know how you separate the value. I do not know of any ranch that is sold on the basis of so much for the land and so much for the permit. It is so much for animal units. Incidentally, this question: You say they may have values as high as \$1,500 per animal unit. That exceeds any sale of base land with permit, with cattle, with equipment, with inventory, that I am acquainted with in my area except some very unique sales where a movie star from California wanting some of the romance of the West overpriced an operation and stayed until he lost the money he got out of his latest flick. But I don't know the going price of a ranch that is \$1,000 to \$1,200 an animal unit including inventory on hand, including permit to which it is appurtenant. I don't know where you get that \$1,500 figure unless it would be in full-time operations, perhaps in the State of Arkansas.

Dr. ZAGATA. No.

Senator McCLURE. Can you tell me?

Dr. ZAGATA. Yes. I got those figures from people in the State of Montana—well, a banker and a realtor. I checked on it yesterday.

Senator McCLURE. \$1,500 for the permit alone? A fool and his money are soon parted.

Senator HANSEN. Could you supply those for the record?

Dr. ZAGATA. I have asked letters to be written to me for the record. Whether those gentlemen will want to put their careers that far out or not, I am not certain.

Senator McCLURE. I am not talking about their career. I am talking about their credibility.

Senator HANSEN. If you could, I think that would be helpful to have that for the record.

If there are no further questions, I thank the witnesses for their appearance here. The hearing is adjourned.

[Whereupon at 1:15 p.m. the hearing was adjourned.]

