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PRESS CLIPPINGS

Hint of grazing-fee hike chills cattlemen

Grazing
Raising cattle still is not considered consistently profitable

The State Land Board, which is chaired by Gov. Ted Kulongoski, is opposed to selling off large blocks of state property, either on the range or in state-owned forests on the west side of the Cascades, Turner said.

The grazing work group will only focus on the current lease formula, he said.

James Sinks can be reached at 503-566-2839 or at jamsinks@cyberis.net.

Continued from C1
And while the cattle industry is in an upswing economically, it's still not considered wildly profitable, he said.

Tanaka is based at the Eastern Oregon Agricultural Research Station in Union.

Coy Cowart, president of the Oregon Cattlemen's Association, said the industry is uneasy about the prospect of higher rates on state land, and will be watching the discussion closely.

The two ranchers on the committee, who also are lease holders, could not be reached Wednesday for comment.

The March report from the Secretary of State Audit Division said Oregon should charge more to run livestock on public-owned rangeland — or sell some of the property outright.

In fiscal years 1998 through 2002, rangelands lost at least \$13.115 and actual losses were even greater because the figure did not include all wildfire suppression costs, auditors wrote.

"State-owned rangelands have lost money as far back as 1987," the report says.

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"What we're here for is to make sure we're getting the most bang for our buck," she said.

John Tanaka, an Oregon State University rangeland economist appointed to the panel, said the existing formula — which he helped draw up three years ago — is indexed based on economic conditions for the cattle industry.

"I know the lands don't generate a lot of money, but, looking where it's located, it's not real productive," he said.

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An AUM is the amount of forage necessary to feed one animal unit for one month. An animal unit includes one cow, or one cow and one calf (of less than 6 months in age).

If the committee suggests changes, the state would seek input in public hearings first, Turner said.

The panel includes two lease holders, university professors, state officials and a schools representative.

The state Constitution steers income generated from mineral, timber and other resources on state lands to the Common School Fund.

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Sept. 9, 2004

5025

Audit: State loses money on rangeland grazing fees

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By James Sinks
WesCom News Service

SALEM — Responding to an audit that says Oregon loses money on its leases of state-owned rangeland, officials have assembled a task force to review fees paid by livestock grazers.

While government officials say there's no foregone conclusion that rates will be heading upward, the move is sending a shudder through the cattle industry. In 2003, cattle and calf sales in Oregon were valued at \$429 million, according to the Oregon Department of Agriculture.

"The only question at this point is whether we are getting fair market value for what we're offering," said Monte Turner, spokesman for the Department of State Lands.

The state owns roughly 638,000 acres of rangeland in Southeastern and Central Oregon.

The eight-member Rangeland Grazing Fee Advisory Committee will

hold its first meeting on Sept. 17 at the Riverhouse Resort in Bend. Any recommendations will be due by summer 2005.

In 2002, the grazing fee for state-owned grazing land in Oregon was \$4.52 per animal unit month (AUM). The U.S. Department of Agriculture National Agricultural Statistics Service reported the 2002 average grazing fee for privately owned, non-irrigated grazing land in Oregon to be \$12.60 per AUM.

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And while the cattle industry is in an upswing economically, it's still not considered wildly profitable, he said.

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The March report from the Secretary of State Audit Division said Oregon should charge more to run livestock on public-owned rangeland — or sell some of the property outright.

The State Land Board, which is chaired by Gov. Ted Kulongoski, is opposed to selling off large blocks of state property, either on the range or in state-owned forests on the west side of the Cascades, Turner said.

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Sept. 10, 2004

5025

State might raise grazing fees

BEND (AP) — State officials are reviewing what they charge livestock grazers to lease state-owned rangeland. Though government officials say it's not certain that rates will increase, the cattle industry is concerned about the prospect.

The state owns roughly 638,000 acres of rangeland in southeastern and central Oregon. The eight-member Rangeland Grazing Fee Advisory Committee has been created to examine the fees. Its first meeting will be Sept. 17 in Bend. Any recommendations will be due by summer 2005.

A March report from the Secretary of State Audit Division said Oregon should charge more to run livestock on public-owned rangeland, or sell some of the property outright.

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2002, rangelands lost at least \$13,115 and actual losses were even greater because the figure did not include all wildfire suppression costs, auditors wrote.

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point is whether we are getting fair market value for what we're offering," said Monte Turner, spokesman for the Department of State Lands.

If the committee suggests changes, the state would schedule public hearings, Turner said.

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Sept. 10, 2004

cerns. That is as it should be.

for their concerns.

Putting a cover over the market

Others, however, seem to be aimed at stopping, swaying or delaying resource decisions until the legal questions are rendered moot. Witness lawsuits aimed at stopping salvage logging of burned timber in national forests. If the logging is delayed, the timber's value eventually diminishes so much that it is not economically viable to log it.

Ironically, as the number of lawsuits grows, the managers' ability to do their jobs shrinks — the exact opposite of what environmental groups

Not so. Lawsuits that have legal basis would and should continue to be heard. Only the ones that are aimed at tying managers' hands long enough to win by default or to bully farmers, ranchers, businesses and other private parties would be threatened.

The Lawsuit Abuse Reduction Act now heads for the U.S. Senate, where it will hopefully be passed. But don't hold your breath that it will ever see the light of day — 59 of the Senate's 100 members are lawyers.

perhaps adds to the movement and surely contributes to the debate reported recently by Capital Press Washington staff writer Cookson Beecher about the growth of covered markets in Washington state.

Of course, any state that can boast the Pike Place Market on the Seattle waterfront knows there is nothing new about a permanent market for farming and fishing wares.

The question of erecting covered structures raises issues of how fancy they should be and whether they should serve multiple purposes, adding spice (no doubt from Oregon's herb industry) to the debate over how best to bring the producer and consumer face to face for direct transactions.

Off to one side is another, related discussion. How can the city customers be given the sense of farm-fresh products while the family also learns a great deal about the production of the food that graces the family dinner table?

Is something lost in the shift from outdoor markets to indoor sales rings?

Probably not. Some care should go into the transition, of course, to maintain the flavor of the experience of selecting fresh produce.

Yet there is plenty of room for diversity. Markets throughout the Northwest can be as different as they like. Whereas some may benefit from open skies, others may welcome the roof and the amenities that may go with it. Some may offer a mix of indoor and outdoor shopping, as at least one has.

Sales do increase with a covered mall that can be open more of the year than an outdoor venue. But

Grazing fee review makes good start

Oregon's fresh look at its grazing fees for state-owned lands is getting off to a good start: Ranchers and rangeland experts play a big part on the group that will review current fees.

Six months ago, Oregon's Department of State Lands said it would establish a grazing fee advisory committee to review fees the state charges for about 638,000 acres of state-owned rangeland in southeastern and Central Oregon.

That was one of several steps the department announced as it responded in March to a Secretary of State Audits Division report. The auditors said the state was missing out on nearly \$1.5 million in annual revenues because it didn't charge market rates on the leases.

Especially when state budgets are tight, getting a fair return on state-owned land is good business. Ensuring a fair return on state-owned land is good government, especially when grazing opponents raise a ruckus over what they call "government-subsidized" grazing. And when the revenues from the state-owned lands go into the Common School Fund to support public schools, charging fair rates for grazing is part of good stewardship for the state.

The state's grazing lands are the remnants of nearly 3.4 million acres the federal government granted Oregon at statehood to support public schools.

Managing such natural resources for long-term, sustainable returns that help support education is as credible today as it was when Oregon became a state in 1859.

The audit early this year recommended that Oregon officials evaluate each piece of rangeland for sale or other use and decide how to get best long-term returns from it. The Division of State Lands will sell some parcels, but intends to keep most of the land and manage it better. It's updating its plan for managing such assets, reevaluating the income

potential and studying the best ways to use the parcels.

That's where the grazing fee advisory committee comes in. It will review fees and probably will recommend a course of action by next summer. If it recommends changes in grazing fees, the department would get more public input through the public rule-making process, and the State Land Board would make the final decision.

So the public will participate, but the ideas will originate in a good place: with a committee of individuals who know ranching and grazing.

Two rangeland lease holders on the committee will bring practical operating knowledge about ranching, plus experience in the areas of conservation, land management and grazing boards.

From Oregon State University, an agricultural economist schooled in range science and a rangeland scientist will bring academic expertise to range management issues.

Two individuals representing public interests bring ag-related backgrounds — one from his youth on a ranch and the other from owning and managing a farm — plus expertise in land valuation and conservation.

The local government representative to the group contributes experience as a county commissioner and rancher.

Even the representative for education brings experience from serving on the department's range management plan committee last year.

Responsibly managing state-owned grazing land is good politics, good economics and good stewardship. It will help the state, the school system and ranchers in the long run.

The Department of State Lands made a good start by naming the committee. The committee can set an excellent example for putting private and public experts on the line to help manage public resources.

Editorial board members develop Capital Press editorials. The board members are Elaine Shein, Carl Sampson and Roy Leidahl.

Vision: Ag ca

Midwest Sustainable Agriculture Working Group

We envision a transformation of our energy system from a fossil and nuclear-based system to a renewable, clean system. Aging coal plants and nuclear plants will gradually be phased out in favor of wind, biomass, solar and other renewable technologies. In the coming years, biofuels will increasingly replace petroleum fuels. We also see hydrogen-based fuel cells powering our transportation network, virtually eliminating our current dependency on petroleum.

This clean energy transformation will drastically reduce air emis-

Panel takes first step on grazing-fee issue

By Lily Raff
The Bulletin

5025

Oregon's eight-member Rangeland Grazing Fee Advisory Committee checked its facts and clarified its goals Friday, but did not approach any decisions during the group's first meeting in a series to review fees for grazing on state lands.

The committee was assembled last month in response to a recent audit that said Oregon loses money on its leases of state-owned rangelands.

Ever since Oregon joined the Union in 1859, the state has owned rangelands that ranchers can lease to graze their cattle.

Money generated from grazing fees goes into the Common School Fund, which supports Oregon's K-12 public schools.

But a state audit released in March said that between 1998 and 2002, state rangelands lost more than \$13,000 — not including some wildfire suppression costs.

Still, it is too soon to predict what changes — if any — the committee will recommend making to the three-year-old formula currently used to calculate grazing fees, said John Lilly, assistant director of policy and planning for the Oregon Department of State Lands and moderator of Friday's meeting.

By summer 2005, the panel is expected to present its findings and recommendations to the Oregon Department of State Lands.

If the committee eventually suggests changes to grazing

fees, the state will then hold public hearings.

Friday offered a chance for committee members to meet each other, ask questions about their assignment and learn more about the March audit that spurred the committee's formation.

Several members of the committee, including the two lease holders, questioned what the audit considered to be competitive market rates for land sales and leases.

"We have no verifiable facts that these are the real numbers, do we? This is a guess," said Joseph Flynn, a committee member and rancher from Plush during Friday's meeting.

Because nobody at the meeting could explain exactly how the market rates were calculated, Lilly said he plans to invite U.S. Department of Agriculture officials to the committee's November meeting.

Agency officials will be able to answer questions about market rates for selling rangelands and leasing grazing rights, Lilly said.

Although the audit recommends selling off state lands as one possibility for improving the return on state rangelands, the State Land Board — which is chaired by Gov. Ted Kulongoski — is opposed to selling off large chunks of state lands.

So the committee's job is solely to reassess the formula used to calculate grazing fees, Lilly said.

See Fees / C9

Fees

Committee says rewriting formula will be done later

Continued from C1

That formula was nowhere to be seen Friday, as committee members instead focused on background information, such as details from the state audit.

"Eventually we will get to picking apart the formula and seeing if there's some way we can improve it to maximize our return on state rangelands," Lilly said.

At the next meeting — tentatively scheduled for Nov. 19, at a location that has yet to be decided — Lilly said he expects the group will begin to examine the formula currently used to calculate grazing fees.

The committee members, who were appointed by the Department of State Lands, include university professors, rangeland lease holders, state and county officials and one schools representative.

The state owns about 631,153 acres of grazing land.

Lily Raff can be reached at 541-617-7836 or lraff@bend-bulletin.com.

5025
Sept. 18, 2004

Rangeland panel faces decision

By MIKE VAN METER
Freelance Writer

5025

BEND, Ore. — A state auditor told the Oregon Rangeland Grazing Fee Advisory Committee it appears that fees charged ranchers are below market rates.

While not fresh news, the opinion forms the question facing the committee, which met for the first time Sept. 17 and hopes to make a recommendation by June 2005.

Chuck Hibner, deputy state auditor with the Secretary of State's office, reviewed a report this spring that said the state lost more than \$13,000 on grazing on state-owned lands from 1998 to 2002. While that audit didn't take into account \$3.5 million invested by the Legislature in the Common School Fund in 1999 to support ranchers and higher-than-normal firefighting costs during the period in question, the report noted that state rangelands have lost money as far back as 1987.

Ranchers paid \$4.32 per animal unit month this year, somewhat more than half of the audit report's estimate of the fair market value.

"It can really be summarized quite simply," Hibner said. "The rate-setting process is quite non-competitive.

"We were not numb to the factors that affected these rates," he said, "but we finally settled on the long-term return on the land."

Future meetings of the committee will examine how the auditors came to their conclusions about the fees, and how others set their rates.

Oregon owns about 630,000 acres of rangeland supplying 66,000 AUMs, mostly in the southeastern third of the state. About 90 percent of the land is in Malheur,

Harney and Lake counties.

By law, the state must manage lands in the Common School Fund in a way that maximizes revenue for the long term. The total value of the fund, which includes state forests and other long-term investments, stands at \$800 million.

"We have to meet fair market value of the trust lands," said State Lands Director Ann Hanus, who has a seventh-grade daughter whose school receives money from the fund. "We have to consider the benefit not only for the generation of today, but also for her kids and her grandkids."

While putting grazing out to competitive bidding might help raise money immediately, the consequences could be long-lasting.

"With a \$13 grazing fee, you'd wind up without a blade of grass out there," said Dan Nichols, a Harney County commissioner and rancher who is on the advisory panel.

Hibner, the auditor, said that's an important consideration — and that competitive bids may not in fact be the best method of establishing market rates.

Bill Marlett, executive director of the Oregon Natural Desert Association, said he disagreed. He told the committee during the public comment period that he thinks competitive bidding is the only way in some situations to establish a fair market value. He also advocated leasing lands to non-ranching interests — something his organization has been interested in since the early 1980s.

Marlett's group also suggested the state seek a congressional appropriation to purchase the 30,000-acre Owyhee block for \$6 million (\$200 per acre, about four times the estimated ranching value) for conservation purposes.

"I realize that's not in the current charge of this committee, but it's something you might want to look at," Marlett said.

Issues outside the current charge of the committee were on the minds of several panelists, as

rising costs will have an effect on the health of rural economies and, by extension, the health of rural schools that are supposed to benefit from the rangelands.

"If you were to raise this rate too high, would you be negatively affecting rural schools?" asked Larry Larson, an Oregon State University professor of range ecology from La Grande. Later, he said the infrastructure of rural schools and communities aren't necessarily seen by the school fund as monetarily important — despite their value to society.

George Grier of Springfield, who is project manager for the McKenzie River Trust, wondered what will happen if higher fees begin to reduce the "critical mass" of ranch families. "I think we need to look at how much this market can bear," he said.

Other possible values held on state rangelands include environmental, recreation, hunting, wind power and geothermal power. John Tanaka, an OSU agricultural economist from Union, said recent studies of rangeland sales in the West are discovering that just one-quarter of sales prices can be attributed to agricultural value.

That reality prompted concerns voiced this spring in public meetings on the rangelands audit that the state might sell lands from beneath ranchers with grazing rights. Officials assured the public that was unlikely, in part because lessees hold 15-year leases with 15-year renewal clauses — and to break the leases would be costly to the state.

The next meeting of the committee will be at 10 a.m. Nov. 19 in Bend, with the exact site to be announced later. State lands spokesman Monte Turner said there will be a presentation on the history and details of the current leasing fee formula, and possibly a presentation from the U.S. Department of Agriculture economist, who does a grazing leasing charge survey.

5025

Public asked to comment on Division of State Lands Rangeland Grazing Fee

The public will be asked to comment on the rangeland grazing fee during the January 21 meeting of the State Lands Rangeland Grazing Fee Advisory Committee in Hines.

The meeting runs from 9 a.m. until 2 p.m. at the Best Western Rory & Ryan Inn, in Hines. The public comment portion of the meeting begins at 10 a.m.

The committee is seeking comments on whether the current grazing fee formula approximates fair market value. The formula uses a crop share approach. It is adjusted annually based on the average statewide sales price of calves for the preceding year and other factors. The 2004 rate was \$4.32 per grazing animal per month. An audit from the Secretary of State's Audits Division released earlier this year recommended that DSL review the formula used to establish grazing fees at least every three years. Committee members will provide recommendations to DSL Director Ann Hanus and the State Land Board by next summer

regarding whether the current formula generates fair market value.

If the committee recommends changes, the agency would conduct a public rule-making process, which includes public meetings and final approval by the State Land Board.

Director Hanus named the eight-member advisory committee in September.

The committee includes members with interests or expertise in agricultural economics, rangeland science, public interest, local government and education beneficiaries. Two current rangeland lessees also serve as members.

To receive agendas for meetings of the advisory committee, contact Nicole Kielsmeier, Department of

State Lands, Policy & Planning Division, 775 Summer St. NE, Suite 100, Salem, OR 97301-1279. Kielsmeier also may be reached at (503) 378-3805 ext. 239 or e-mail:

Nicole.kielsmeier@dsl.state.or.us.

The state-owned rangelands are the largest block of land remaining from a grant of land by the U.S. Congress to support schools when Oregon became a state.

The Oregon Constitution dedicated the school lands and their mineral, timber and other resources to the Common School Fund.

Twice a year, the State Land Board distributes investment earnings from the fund to counties for school use.

JAN. 12, 2005

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JAN. 13, 2005

- MARK ENGLER

5025 Grazing panel seeks comment

The Department of State Lands is asking for public comment on the state's rangeland grazing fee during the Jan. 21 meeting of the State Lands Rangeland Grazing Fee Advisory Committee in Hines, Ore.

The committee is seeking comments on whether the current grazing fee formula approximates fair market value.

The formula, which is adjusted annually based in part on the average statewide sales price of calves, established the 2004 rate at \$4.32 per grazing animal per month.

An audit from the secretary of state's audits division released earlier this year recommended that DSL review the formula used to establish grazing fees at least every three years. Committee members will provide recommendations to DSL Director Ann Hanus and the State Land Board by next summer regarding whether the current formula generates fair market value.

If the committee recommends changes, the agency would conduct a public rule-making process, which includes public meetings and final approval by the State Land Board.

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- MITCH LIES