ADDRESS BY ASSISTANT SECRETARY OF THE INTERIOR JOHN A. CARVER, Jr., AT THE SIXTY-FIFTH ANNUAL CONVENTION OF THE AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION IN TAMPA, FLORIDA, 11:00 A.M., JANUARY 26, 1962

The Department which I represent proudly here today is sometimes referred to as the "Department of the West". It is true that most of the lands and resources which we are charged to manage and conserve are located west of the 100th meridian. Some of us, however, are making a concerted effort to carry our mission to the other sections by emphasizing the stake which the whole Nation has in the publicly owned forests, grasslands and scenic wonders of the area. There needs also to be a general awareness of some of the problems and issues which are thought of as western but which have a significance beyond that region.

I am therefore doubly indebted to you for your invitation to participate in this convention. I have not only the opportunity of visiting and perhaps carrying our message to a State not on our usual itinerary, but a chance to discuss an aspect of our work with a segment of your industry not usually represented in our deliberations.

Nevertheless, I'm pleased to remind you that your national convention is being held in one of the public land States. Even though the remaining public domain lands in Florida now total less than 2,000 acres, it originally was more than 45 million. When the United States acquired Florida from Spain in 1819, we paid about seven million dollars, or about 14 cents an acre. This was quite a bit more than the two cents per acre that we paid in 1867 for Alaska, the State farthest removed from you, which cost about the same number of dollars, but had a lot more acres. However, Florida land values being what they are, you can boast of a greater rate of appreciation on the original investment.

While our Department does not bulk large as a supplier of space and forage in Florida, this has not seemed to discourage the growth of a thriving cattle industry—a sobering and somewhat deflating thought. And yet we have had a part in this development in quite a different way. A very significant participant in this important Florida industry is the Seminole Indian enterprise which we have the duty of serving as trustee and advisor in its commendable effort to improve the welfare of the Seminole people. Their success symbolizes the capacity of this land to support a thriving livestock industry.

A few years ago, the Seminoles succeeded in clearing and diking some of their marshy lands. With the addition of fertilizer, fencing and a moderate investment in stock, they have achieved one of the major successes among Indian enterprises. From a few thousand, their individually owned herds have grown to about 7,500; the calf crop has risen from 20 percent to 80 percent. The old swamp land produced
sixteen pounds of beef to the acre; reclaimed and irrigated pasture now produces 700 pounds. So ours is a direct interest in the grazing industry of this State—even if a limited one. We see a proud people who have now established a goal of a 125 cow herd for each family. If the Lone Ranger and Tonto had not already demonstrated it, we have clear proof that there is no incompatibility between cowboys and Indians!

In a little more than three weeks, I will be meeting with some of you at the National Advisory Board Council session at Albuquerque. Your association stresses its nationwide status by both the words "American" and "National". The word "national" might seem to be less appropriate for the Albuquerque meeting, which will concern itself with the use by livestock (and, so far as the forage is concerned, by wildlife) of about 170 million acres of Federal land administered by the Bureau of Land Management in ten Western States.

This isn't all of the Federal range administered by the Interior Department, and the United States Forest Service administers grazing, among other uses, on 60 million acres or so of national forests in these same States. The 25 million AUM's forage furnished by BLM and USFS (16.7 million BLM and 8.5 million AUM's Forest Service) in the Western States constitutes only about one-tenth of the total livestock feed requirements of the States themselves. Nationally, all Federal rangelands supply less than three percent of the total feed requirements.

I don't give these statistics to minimize the importance of the Federal rangelands. It is the nursery that supplies a sizeable part of the animals for the livestock feeder industry. It is the seasonal supply of feed to supplement other sources, and is the key to successful operation of hundreds or thousands of different livestock operators.

Within the West itself, on a State-by-State basis, the degree of dependence on Federal lands varies widely. A measure of this degree of dependence has been computed, which reflects the relative position of livestock income to total agricultural income, and of income dependent on Federal rangeland to total livestock income. This index of dependence on Federal rangeland varies from a high of 40 in Nevada down to five in California and Oregon, and less than that in Washington. In Wyoming it's 25; in Utah 20; in New Mexico 15; in Montana, Idaho, Colorado and Arizona it's 10.

However, even in California which ranks low on this scale, some communities' dependence index would shoot way up near 100 percent, just as it does in many parts of Nevada and Wyoming. The impact of dependence on Federal lands can be critical to the economy in many western towns and counties.

But the National Advisory Board Council is national nonetheless. For it is concerned with the use of Federal range under a Federal statute, the Taylor Grazing Act of 1934. That statute has as one of its purposes the stabilization of the livestock industry dependent on the Federal range and it gave a preference to landowners engaged in the livestock business at the time of the passage of the act. Although the grazing districts which the law authorizes exist only in the Western States, they are creatures of a national act, and administered by the Interior Department, a national agency. These are Federal lands, owned by the whole Nation.
The Taylor Grazing Act, as I've said, has as an objective the stabilization of the livestock industry dependent on Federal range. I doubt that this means necessarily the subsidization of that segment of the industry, yet aspects are present which have been charged as subsidy and which are worthy of discussion in this National Convention.

The Act provides for the payment annually of reasonable fees. The Secretary of the Interior is required, in fixing the fees, to "take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes" and the act authorizes a preference or priority system.

This priority system gives economic significance to the Taylor Grazing Act. The grazing privileges it confers have a monetary value or economic worth. True, they cannot be sold or transferred as separate entities, but their value is nonetheless real since they become a part of the value of the home ranch or base lands belonging to the holder. They are capitalized into the real value of the home ranch just as effectively as if they were an improvement on fee lands.

When a ranch changes hands, or is mortgaged, or is involved in any other credit transaction, the buyer or the banker is concerned with the nature and extent of the grazing "rights" almost more than with anything else. This economic fact of life means several things to us. It means that withdrawal or reduction of the privilege of grazing on Federal land can have a violent economic impact on ranch operations which are heavily dependent on Federal range. By the same token, this capitalized increment is also reflected in higher tax payments since assessments follow market value, however imperfectly.

Yet the courts have said many times that "grazing privileges" are just that. They are not private property to be bought and sold, and governmental action which takes them away is not a taking for which compensation must be paid. The Congress has made one significant general exception—if the taking is to serve a use for war or national defense purposes, the Government will pay "for the losses suffered."

Now all of this may sound like a pretty good thing—at least for the privileged priority holders. But there is a pervading atmosphere of insecurity under this system and for a number of reasons. First, as I shall outline in more detail later, there is no guarantee that the lands must always be used for grazing; competing uses may be given priority. Further, States have certain claims against the public domain; if they select grazing lands, the priority rights are extinguished. In other situations, grazing lands may be exchanged for State or private lands with the same result if, to use the language of the Act, "the public interest will be benefitted thereby."

Reductions in grazing allotments can have the same effect on capitalized values. This is a serious matter in money terms only if the values capitalized into the home ranch by reasons of Federal grazing privileges bear a significant relationship to the values apart from the Federal grazing. I've hinted at this by pointing out the great variation in dependence on Federal range, suggesting that the degree of dependence affects these values. The number of operators totally dependent on Federal range is comparatively few, and even as to them there are or could be alternate feed sources in most cases. But other factors are involved.
The user of the range, Federal or private, regards grazing fees as a major dollar sign factor. To put Federal fees in perspective, we must compare them with the cost of equivalent forage on private lands as well as measure them against the increase in the value of an animal attributable to Federal range use. By such analysis we can begin to evaluate the nature and extent of the capitalized values derived from public range use.

At the outset of this discussion, let me admit and emphasize my full recognition that the Bureau of Land Management pricing system is no model of fairness or precision. It's very deficiencies cast dark suspicions on direct comparison with the price of forage from other sources. Some of these should be cited:

--logically the value of an AUM should vary with carrying capacity for each unit of land; the greater the carrying capacity the more valuable the AUM. Yet we have a standard rate.

--seasonally the availability and nutritional value of forage varies. Our rate is uniform.

But still other factors enter in, to make comparison difficult because they grow out of the public ownership and management of the resource--as contrasted with equivalent private lands. First, competing public uses are or are subject to being accommodated: recreational uses, hunting and fishing, wildlife habitat areas, and the like. What discount should be allowed for this? Another factor: grazing fees have remained below the level of actual cost for so long as to suggest that public policy favors the maintenance of a fee level unrelated to outside measures of forage value.

This last suggestion can almost be proved by tracing the history of the fee schedule. The initial rate was set at a meeting of the National Council's precursor organization in Salt Lake City in 1936. The Department proposed a figure of ten cents per AUM, pending detailed study and development of a fee system. Only the representatives of California and Colorado found this acceptable, however, and a compromise five cent level resulted. Today our rate is nineteen cents. Taking into account price inflation, the interim rate proposed in 1936—ten cents--converts to 24 cents, five cents more than we now charge. Thus we haven't even reached the fee level that the Department thought minimal a quarter of a century ago.

Bearing in mind all I've said about the reasons why the Federal fee should not necessarily be measured by the private market, we can tentatively approach a consideration of the extent of the difference.

An interesting case study of an area of Nevada is available. In the area studied, public land, private land, and leased railroad land are all checkerboarded, eliminating considerations of differences in land types. Prices paid in a recent year for use of sagebrush range with a carrying capacity of 12 acres AUM, used during spring, summer and fall, were 19 cents to the BLM and 60 cents to the railroad. The associated fee land used for grazing carries a burden of taxes and an inferred burden of interest on the value of the land which computes out at $3.60 per AUM.

Another study confining itself to comparable lands compared BLM, Forest Service, and State or private rates. In Montana, the private owner was getting $3.00, the Forest Service 49 cents, while on BLM the flat rate then was 22 cents.
The Forest Service in some areas administers both Forest Service and intermingled private lands, but at different rates. Their own rates in one such area are two-and-one-half times higher than under BLM; their administered rates more than four times BLM's.

Among the bureaus of the Department of the Interior which report to me, the Bureau of Indian Affairs gets roughly five times as much per AUM for leased Indian lands as is charged in the grazing districts. The BLM itself gets three times as much per AUM on some of its leased L.U. lands as it gets in the districts, and more than twice as much on the O & C Grant Lands.

Are these low fees necessarily subsidies?

A Department of Agriculture economist, M. L. Upchurch, summarized the dilemma to my satisfaction last month at a meeting in Denver of the American Association for the Advancement of Science:

"Federal range is always used in conjunction with private pasture, cropland, or water resources. Together, these resources are the land base of a ranch, a livestock-producing firm. Together, they have a value. If one part of this input mix is underpriced, it is likely that other parts are overpriced. Thus when a ranch is sold, it is likely that the profit-producing capacity of the entire ranch is capitalized in the private property part of it. People who have bought ranches under these circumstances doubtless feel that they have paid 'full value' for this profit-producing capacity, even though they did not pay the Federal Government for it."

"Once a schedule of prices becomes institutionalized--be it grazing fees on public land, taxes, or rates charged for irrigation water--to the extent that other prices and costs adjust to them, there are strong arguments against change, or at least against large or sudden changes. Values of commensurate property of public range users have adjusted to the present schedule of fees. Ranchers who have bought such property have paid full value for the productive capacity of their ranches. An increase in grazing fees would, in effect, multiply the price they have already paid."

For those of you who have no dependence on Federal range, a formula will come to mind. Take the amount that a ranch's value with its Federal grazing "rights" exceeds its value without them; figure interest on the difference at the going commercial rate. Add this to direct grazing costs, and then make grazing cost comparisons. If the resulting figure favors the operator, what we call it--subsidy or something else--is irrelevant. The essential fact is that it is an economic reality which has become an integral part of the industry's pattern. We ought not tinker with it unless we have a clear realization of the possible consequences.

From a public policy standpoint, we must examine the question from all sides. Did Congress, we must ask ourselves, intend that we should consider the situation of the user as we find him in 1962, 28 years after the passage of the Act? In 1934, it seems from an examination of the legislative history, the intent was to give to the user conditions and terms of use to enable him to secure for his labor and
invested capital a return at least equivalent to that earned by the labor and capital of other stockmen. The system has resulted, as we have seen from Mr. Upchurch, in an artificial inflation of the commensurate value. Upward adjustment of fees will multiply to him costs already paid. Is this situation a reason not to adjust fees upward?

These questions have assumed an importance such as they have never had before because a combination of circumstances and trends are forcing us to reevaluate the fee structure.

In the West itself there are the beginnings of complaint about the Taylor Grazing Act preference system—stemming as you might imagine from those who have need for additional forage but who do not qualify for permits.

Moreover, deficits have accumulated in the management of grazing lands: of 170 plus million acres used for this purpose, a hundred million are producing less than their forage potential and 35 million are deteriorating under present use. As responsible husbandmen, we cannot allow our national heritage to deteriorate. To seek the funds to rebuild and preserve the range is to raise the question of user fees. What does our balance sheet show under this scrutiny?

Receipts from BLM grazing fees in Taylor Act districts brought in $3 million in 1960. In this fiscal year of 1962 we will spend more than $4 million for range management and protection alone, plus nearly a million for weed control and a large part of the $6.5 million allocated to soil and moisture conservation on public lands. Even at this rate of expenditure, I'm told we have a 100-year backlog of deferred work. No one will expect current users to pay the full cost of remedying generations of neglect. But demands that their proportionate share be increased will be almost impossible to silence.

Finally, President Kennedy in his Resources Message about a year ago charged the Bureau of the Budget with the responsibility of developing a set of "general principles for the application of fees, permits and other user charges at all types of Federal natural resources projects or areas."

The need for such principles was set forth by the President in these terms: "Fees and user charges wholly inconsistent with each other, with value received, and with public policy have been imposed at some Federal developments."

I venture to say that this Presidential directive will result in two strong pressures—one to bring the fees charged into some kind of uniformity among the Federal agencies. The other will require that the fees at least cover the cost of administration. Both of these pressures will tend inevitably toward increasing the present levels.

In response to the requirement imposed as a result of the President's message, the Department submitted to the Bureau of the Budget suggested principles. Therein was recognized the principle that user fees and charges for grazing should correspond to the fair market value, as established by appraisal or competitive
bidding, but this principle was coupled with the recognition that "where competitive bidding would result in destroying established ranching operations dependent upon Federal grazing lands as provided by law other methods of determining fair market value consistent with the circumstances shall be used."

In this we have provided no answer to the basic question. You will note that the Department of the Interior has approached the issue with caution—not because we are opposed to equitable adjustments, but because there is too much at stake. We have no disposition to disrupt the system or to destroy established ranching operations.

But change is coming and we must be able to gauge realistically how much change we can absorb without serious impact. One indicator of this is instruction: the average fee paid for public domain grazing—overall—is 100. Thirty thousand permittees pay a total of $3 million. The fees fixed by the Department are not, therefore, a major part of ranching costs. Even the biggest operator will find his Taylor Act fees insignificant in comparison with his other cost elements.

Our present fee system dates from a note published in the Federal Register over the signature of former Secretary Seaton. That system ties grazing fees, on an automatic escalation basis, to the average price per pound of beef or lamb. The merits of fee increases entirely apart, I am personally very much in doubt that the 1957 note effectively discharges the Secretary's duty to adjust rates annually, as the Act clearly prescribes.

Be that as it may, and in response to all of the stimuli which I have outlined, we recently published as proposed rule-making a draft of regulations to revise this system. Our proposal would not of itself change existing rates. It would, however, provide the framework within which the Secretary could exercise his discretion to adjust fees as conditions warrant or require. He would utilize a formula based on a percentage of the market price per pound of beef or lamb. Under the present system, that percentage is fixed at 100 percent of the market average which may vary from year to year. Our revision would insert a second variable in that the Secretary might also adjust the percentage factor.

Although this procedure was discussed with the National Advisory Board Council, notice of intent to adopt it has evoked objections. We have postponed final action to adopt the proposed rule until after the Albuquerque meeting when these objections can be heard and considered in full detail.

This brings us to the crossroads of decision. But it is not alone the Department which is confronted with the dilemma. The industry must also accept responsibility for the sound planning of its future on the Federal range. It seems to me that it is confronted with two pretty clear alternatives:

(1) If the range users' appraisal of the situation is anywhere near mine as summarized here, then they ought to cooperate with us in devising realistic adjustments in the fee system. These improvements, I can guarantee, will be undertaken in full realization of the philosophy which I have emphasized--That we are dealing with the values of ranches. Fees can be adjusted gradually—but I see no escape from the conclusion that they must be revised upward.
(2) Now the alternative is to attempt to retain the status quo. As long as the forage rate is substantially different from commercial rates it really doesn't much matter whether the differential is 1:5 or 1:10 or 1:20. But if there is to be an attempt to freeze the present fee system, then its proponents should be prepared to secure an amendment to remove the Secretary's duty to fix reasonable rates annually.

In evaluating the feasibility of the latter alternative, I think we should take a very close look at some influences developing outside the cattle industry. Symbolic of this is the pendency before the Congress of several bills which would make BLM lands subject to the same management objectives as set forth for Forest Service lands in the Multiple Use Act of 1960.

My personal feeling is that multiple-use legislation is all right if it isn't oversold. Where two or more uses of public land can be accommodated, it is only good sense that they should be. But when the Secretary of the Interior must choose as between incompatible uses, the existence of a multiple-use statute doesn't help him much.

Whenever I meet with associations like yours concerned with uses of resources of our public lands--forests, minerals, livestock--I find an atmosphere of unrest and insecurity.

The prevailing spirit is that a land management system which has produced so much social good--which has developed the raw West and made it great--ought to be preserved unchanged. The posture is one of defensiveness--status quo.

But this view overlooks the fact that we have witnessed a turn of the economic wheel. Thirty years ago the western livestock industry was the backbone of our beef, lamb, wool and hide supply. Like the rest of the Nation it had fallen upon hard times. Additionally, its reconstruction was hampered by the confusion that existed with respect to the use of the Federal range. The Taylor Grazing Act was an essential step to recovery--it resolved the long-standing problem of Federal range ownership and use.

Yet almost from the year of its enactment great changes have been at work in our land. The most colossal war in history required that millions of acres be withdrawn for military purposes; our increasing dependence on petroleum and natural gas has created a competitor for the land; the gasoline drawn from public lands propels automobiles and trucks across broad strips gouged out of the once-free range for highways; and now an exploding population with more leisure and greater mobility demands that open space be set aside for parks and recreation areas, and hunting and fishing preserves. These competing uses are formidable in their demands. The Taylor Grazing Act is no citadel of defense for the western cattlemen when another use is shown to have superior social or economic values. In fact, the act by its own language provides the mechanism whereby its original beneficiaries may be displaced.

In this arena of competition resolute resistance to change is not enough. You must be prepared to demonstrate that traditional uses of the public domain--grazing, lumbering and mining--are paying for the use privilege at least at a level compatible with their economic contribution to the Nation.
And do not make the mistake that public recreation will be an easy foe in this kind of competition. The national forests had nearly a hundred million visitors last year. If collection of a ten cent entry fee had been made, recreation use of the forests would have returned more than three times the grazing fee proceeds from BLM lands.

Just such a fee arrangement is being discussed to finance expanded public recreation—-for parks and recreation areas on public domain and national forest lands. Can the livestock industry stand pat in the face of this comparison?

Or use hunting as an example—the Fish and Wildlife Service has documented it as a billion dollar industry already with a forecast that this will double by 1980. By that date we are told there will be 12 million big game hunters—at a dollar apiece for a Federal permit, those using public lands would outstrip grazers in BLM lands as contributors to the general welfare even now.

So multiple-use is far from a refuge for the cattleman. Indeed, it is the gate through which competing uses enter what was his domain. These uses may be compatible with grazing—they may not displace it from the range—but as they are made to pay their way, the livestock industry must be prepared to undergo user charge comparisons.

The livestock industry and the wood industry and the mining industry have a story to tell as to their role in supplying the country with protein and cellulose and minerals—the increase in demand for red meat and wood products is every bit as dramatic as the increase in demand for recreation, for it stems from the same set of circumstances.

A study recently submitted to me projects an increase of 87 percent in the demand for beef by 1980 over 1960 which would require a 75 to 80 percent increase in number of animals.

That this increase in demand should be met in material part from the public range is sensible because the public range is susceptible to such use. Such use is in aid of good management.

But it is only logical that livestock will be considered as having a dominant claim for at least its present share of the range's use if it pays reasonable fees for such use. And certainly increased use from Federal investment in reseeding and the like need not be burdened by the embedded rates applied to the existing resources. Movement toward this objective will have to be orderly and graduated—but, to paraphrase the President, let us begin.

A final word about multiple-use. If we must incorporate the term into our lexicon, we ought to lift our sights to the future. The determinants for competing use demands ought not to be merely the immediate needs of the hunters versus the park enthusiasts; the recreationists versus the commercial users; the returns to the Treasury from camping fees versus grazing fees. The test for multiple-use ought to include the relative contribution toward meeting the national needs of this
country twenty, fifty, a hundred years hence. Among our national security needs, our food and fiber needs, our need for pure water, and our need for green open spaces, a natural order of importance will evolve and change with the times and technology. Especially is this true when we know our land base is no longer stretchable, and we recognize that we are planning for the future as well as meeting the needs of the present.

We know how rapidly our population is expanding; we know how technology is giving us all more leisure, more mobility, and more money. Every land use decision we make ought to meet a test of contribution to the maximum extent possible to the projected needs not just of parks and recreation but of food, fiber, water.

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