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Interviewee: Robert Wolf
Interviewers: Jim Olivarez, Dan Hall
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Summary: Wolf explains aspects of grazing fees, including the origins from Pinchot's role, the changing philosophies and various economic determinations used, ranchers' roles and responses, grazing compared to timber, and the potentials for a system of bidding on Forest Service or BLM grazing lands.

Dan Hall: We’re here at the Archives of the Mansfield Library with Robert Wolf and Jim Olivarez. Today we’re going to be talking about forest grazing fees. OK, Mr. Olivarez, if you would like to start the interview.

Jim Olivarez: I was doing a little reading on grazing fees going back to 1905 and how we came about with grazing fees. Initially they were a few cents per head. Part of a couple of the primary objectives to grazing fees were (1) as a means to control excess use of forest reserves and eventually national forests and also (2) is to offset some of the administrative costs. I was curious how that relates to today in reference to the objectives of grazing fees, and we have gone beyond or have other rationale?

Robert Wolf: Well, Jim, let’s back up first to the 1905 era when the forest reserves were transferred to the Department of Agriculture and renamed the national forests. One of the arguments that Pinchot made, which isn’t as well recognized as it should be ... it is found in the Appropriation hearings of 1906, because there was no recorded hearing on the subject in the transfer act. Since I’ve dealt with it in another facet of history, I won’t spell it all out all over again. One of Pinchot’s arguments was if you move these reserves from Interior to Agriculture and put them under my administration, and let me keep the receipts, by 1910 they will be operating at a profit. Not only will the reserves be operating at a profit, but all the things the Forest Service does, including propaganda, which is what is now referred to as I and E, I’ll be bringing in enough to do that.

DH: Excuse me, I and E?

RW: Information and education. So, after the reserves were transferred, Pinchot started putting into effect policies that would achieve these goals. He had played an instrumental role in the Bureau of Forestry in the administration of the reserves by Interior. He had helped them set up their policies. He had helped them determine what actions would be taken. Pinchot had a broad view of things and he knew that the national forests were ... were at least 50 percent open rangeland. They had livestock on them and users were not paying to use them – the users were not paying. The first thing he did was to set into operation a system of charging a fee and regulating the use. A number of lawsuits were immediately filed by ranchers challenging his...
right to do this. The lead case that was finally settled by the Supreme Court was Grimaud—his name was Grimaud—which held that under the use and occupancy language in the 1897 act, despite the transfer of reserves to agriculture, the authority went with it that the secretary could regulate the use of grazing and charge a fee.

So, that established the right to do it. That I might say, developed a degree of enmity between the livestock industry of its time and the Forest Service that took years to eradicate. Anyone that’s worked in range management knows that some of that still exists even though the current crop of ranchers don’t know why. It’s just sort of a gut feeling. The BLM lands... there was no BLM... the rest of the public domain, there was no charge for grazing and no regulation of grazing and that persisted. In those days there was a lot of trailing of livestock, particularly sheep. There was a lot of abuse of the range. It was uncontrolled. Here was this fellow Pinchot, with his relatively few employees, trying to tell these people how they were going to use the national forests. But you have to bear in mind that Pinchot’s view was that he was going to make these forests profitable. So he tried to charge a fee—you said a few cents—it may seem like a few cents now, but he tried to charge a fee that they thought was outrageous and that would more than cover his costs, not be less than.

If you look at the testimony before the House Agriculture Committee, the period from 1907 to 1917... and that was the committee that handled appropriations for the Forest Service. The Appropriations Committee as the monitor of funding didn’t happen until after 1920 when the Budget and Accounting Act was passed. So you can look at those hearings and what you’ll see is people like Potter, an early assistant chief in charge of grazing, discussing the fact that the fee was going to be set to reflect the value of the forage. There were a number of studies relating to that. In the first 10 years of the national forest, first 12, I believe, the grazing fee receipts exceeded the receipts from timber. We foresters don’t like to admit it, but in the early days less than one percent of the wood consumed in the United States came from the national forests. A lot more of the forage consumed by range livestock came from the national forests and from other public lands.

JO: So grazing at that time was a bigger business and a bigger issue...

RW: Bigger, yes. And took a great deal more of the time of the people at the top of the Forest Service to reconcile the disputes with the livestock industry. Do you know that on the national forests a grazing permit is considered to be a privilege? When I sell my permit to someone else, you may reduce that permit, and you negotiate that reduction by telling me, when you hear that I am going to sell it, to tell the person that is going to buy it that instead of having 400 AUMs [animal unit months] of grazing, that allotment is only going to have 380.

JO: Well, we don’t do it that way.

RW: Well, that’s the old system. That was the way it was done for a long time. You’re asking me about the roots of this. That’s the way in which this was handled. That also was another source...
of enmity. On the Taylor grazing lands, after that act was passed, as a livestock permittee, I did not have a right in the legal sense, but I did because I had to have a base ranch to qualify for BLM grazing. Now, as you know, there’s a class two permittee under the Taylor Grazing Act. But nobody can ever find a class two permittee because, when the Taylor Grazing Act was passed, the class one permittees claimed so much grazing based on their 1920-1934 level that they used up all biologically available grazing. I’m not talking about financially available (If you did it on that basis there would be far less grazing,) but all the biological level of AUMs that the Taylor lands could supply. The ranchers looked on those lands as a different reason that my historic entitlement can be cut on Taylor grazing lands is if it is above the level that a conservation review establishes is the AUM output.

But a national forest permittee never had a historical base that he could point to. That’s why we have some of the arguments that persist as we work on this integrated fee basis with the Forest Service and BLM. The people with Taylor grazing permits view the paper rights that they have, where they never had that many cows out there, as an important financial thing. If I sell my ranch to Jim Olivarez and I have a Taylor permit, I’ll say, “Jim, I have a right to graze 200 cows a month. Now I have only been carrying 150, because I’ll tell you, with a little luck and with a little prudent management, you can get it up to 200.”

Now that’s very often overlooked as people debate these issues. I can’t do that on a national forest permit. Now, let’s say I’m a guy with both kinds of permits. I can’t tell you that I have a paper right to 200 AUMs of national forest grazing. I can tell you I’ve got a permit for 150 AUMs on the Bitterroot and it used to be 175. It was reduced 10 years ago. We had a heck of a battle with the old ranger and this new one isn’t any better. [laugher] So, there’s that underlying aspect to this relationship that I think colors the thing.

Now, the next thing that happened, the first drive was that timber was going to be sold on a profitable basis. Pinchot’s view was that conservation was not only profitable, but it was socially satisfying. The profit motive ... you’d get somewhat less profits if you had a conservation underpinning to what you did whether it was grazing or timber, but you’d have profits. Bear in mind Pinchot was a natural born Republican. He believed that business was a respectable thing, and making profits was not bad, but that monopoly was terrible. [laughter] He had nothing against people making money and using resources. He just felt that you restrained yourself so that you had a perpetually productive, renewable resource. He viewed grazing and timber in the same light. So he believed, and his successor Graves and Greeley, all believed that grazing could be profitable at a good conservation level. The argument then shifted.

JO: It’s one dimension of that, at that time, back in the early 1900s, an aspect of community stability and colonizing the West ...

RW: I’ll get to that in a minute. Don’t let me lose sight of it. So, there was this “it could be profitable” approach. As the Forest Service kept moving the fee up, and it could do it
administratively, the livestock industry then began to say, “You shouldn’t charge us more than the cost of administration and there should be the minimum of administration.” [laughter] And so the argument shifted to the “cost of administration” concept. But from the standpoint of people that were bearing the fee, any increase in fee was always resisted. Whichever way it was, they were going to resist it. And that’s not something sinister or malevolent, it’s just the way people are. If I tell you the price of bread is going up at the grocery store, you may look for another store to buy it from, but if you can’t, you’re going to pay the price. But livestock people and other users of public lands have always felt they could exert an influence on the federal agencies, and they have, to hammer a way on keeping the grazing fee down. There’s ample evidence, at least from my view, that the current combined BLM-Forest Service grazing fee is below what people would pay if that was put on the market, or bid on the market, or what the forage is worth in term of livestock. But we have a well-articulated view that says that it isn’t. That when you consider coyotes and predators and all sorts of other things, and having to deal with these terrible sorts of other things, and having to deal with these terrible federal agencies, the grazing fee should be far less than it is. The question of community stability and rancher stability is certainly part of the argument. The contention is that if I provide you with a fixed level of grazing it will keep you in the grazing business, providing I don’t charge you too high a fee.

Probably the best way I can illustrate my skepticism is to tell you a true story. Among other things, I was assistant to the director of the Bureau of Land Management. I went to Mississippi to the National Cattlemen’s annual convention in I guess it would be 1964. It was. I got down there for lunch at this meeting. It was in a feed barn in Mississippi – and I’d worked in the South before – cruised timber and I’d seen the livestock industry coming into the South with managed pastures and so forth, [with] the ability to raise livestock and not be decimated by disease. I knew there were a lot more livestock in the South than there had been before the war. I got my lunch and I went in this great big barn where they sold livestock. There were a lot of seats and stuff and I went up and sat down. A few minutes later a fellow came up and sat down next to me and he actually had a red neck. [laughter] He introduced himself and said he was from Florida, north Florida. He asked me where I was from and I said Washington, and I thanked God after a few minutes – he thought I meant Washington state. I’ll never forget him. He shook his finger in my face and said, “Let me tell you something mister. We can feed ‘em faster, we can feed ‘em fatter, and we can feed ‘em better than you can. We’re going to run you out of the livestock business. What do you think of that?” [laughter] I was so glad he didn’t think I was from Washington, D.C. I just reverted to my western heritage and said that, “Well, we had some problems, but we were doing all right. Raising livestock anywhere was tough.”

What I think was lost sight of in some of the debates over grazing fees is the total beef supply, lamb supply, red meat supply, which is open range oriented versus feed lots. Which are the efficient ways to grow beef and lamb if we’re talking about livestock grazing, which are the two main things on the range? We can keep a lot of people out there with cows on the public range, with a subsidized fee, up to a point. But there are externalities that are affecting it. What is the
attitude of the American people toward the consumption of red meat? Why is it that our lamb population is what it is (and our sheep population) compared to what it used to be?

JO: Down versus wool.

RW: Yes. Nylon probably did more to the sheep than anything that was ever invented. It certainly did a darn sight more to decimate the sheep population than the coyote ever did. So, I think that there is this total aspect of a huge country ... part of our meat being imported also ... but the total demand for red meat. And where are the most efficient places to produce it? And while we may be subsidizing elements of production, not only in the red meat industry, but others, a subsidized grazing fee is a very small part. I think it has nothing to do with the failure or success of cattle or sheep business in the United States. People are not going to raise either, unless they’re rich, in order to lose money. I don’t know any rancher that is going to stay in business year after year, or can stay in business if he loses money, even if he gets free grazing. I think that raising the grazing fees to recover the costs the Forest Service incurs would probably not reduce grazing (the interest in using those permits) by over five percent. And the chances are also pretty good that the lands that would go out of grazing would be lands that have high costs to maintain in grazing, and where there are sound environmental reasons for not doing it. That isn’t going to be popular with the livestock community, but I’m not a trained range manager or economist, but I’ve had enough opportunity to spend some time in the subject area and on the range to think I’ve learned a little something about it.

JO: Just a recap... in the early 1900s where grazing was a major activity on forest reserves and eventually national forests, the community stability, and actually colonizing the west, was still a major concern on a national basis; development of the grazing fees took into account paying for the administration and controlling the use of that resource. As you mentioned, establishment of formulas was developed -- these costs based upon a number of factors: fair market value, the actual value of the forage to the rancher, and then making a transition over time to where we have less domestic livestock. It is far and above overshadowed, at least in recent history times, by the timber fiber and with the stability aspect [which] isn’t nearly as much a concern, so things have changed. You mention society’s outlook on red meat, the value of red meat. In that light, how is the grazing fees transcended over the [inaudible] the legislation through Congress, or is that in step with the times?

RW: Some of these issues become symbolic. The Forest Service operates in a couple of arenas in terms of Congress. The views that might exist, let’s say, on the Interior Committee, which has a heavier Western membership, might be different than on the Agriculture Committee, which has a more national membership of people in what I would call crop agriculture (not that the West doesn’t grow crops). But [the Agriculture Committee isn’t] as concerned about issues such as grazing fees and may wonder, “Well, why should we have a subsidized grazing fee or a low grazing fee? And there’s the Appropriation Committee where, fairly historically, its members look on the grazing fee as being a subsidy. It’s far too low. I think it was in the late ’40s, Senator McCarren was still in the Senate from Nevada, and he was mad at the Bureau of Land

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Management for raising its grazing fee, I think, from three cents to five cents an AUM. So, he decided that he would cut out the BLM’s range money because they’d raised the grazing fee. The House then turned around and cut their budget because BLM didn’t raise it far enough.

JO: Kind of a double whammy.

RW: Yes. They were catching it from both sides. My point is that the Appropriations Committee is going to be motivated on some of these issues by the budget deficits. They’re going to be raising questions about why don’t we get more money out of something? Even though you can get people in the Forest Service as well as the BLM and the livestock industry to say the fee isn’t subsidized, there are members of the Appropriations Committee that believe that it’s subsidized. So, they’re going to look at these agencies, both Forest Service and BLM, and say the state of Montana charges more for grazing than you do and the state of Ohio does, and so forth. Why don’t you have a higher grazing fee? And then, some southern member, he’s going to say, “Hey, yes, I agree.” But he isn’t going to be giving the reason. But the reason is that his livestock producers aren’t subsidized.

And so these issues are going to cause the Forest Service and the Bureau of Land Management to have to address this issue. It is further exacerbated when the Forest Service sends a budget up, as they did for fiscal 1990, that says let’s remove log export control to the Pacific Northwest and we’ll add $100 million in revenue. Without debating whether that number is right, that runs into a “buzz saw” of emotionalism. The Pacific Northwest says, “No. We don’t want those logs going to Japan.” The Appropriations Committee under the Budget and Control Act is that it has to deal with this whole issue of budget levels. The president said he was going to take in $100 million in revenue, or make cuts, if we are going to look as good as the budget said. Where can we find it? Well, they may just turn around and say to the Forest Service, “Well, among other things raise the grazing fee to $5 an AUM and that’s going to bring in $10 million.” And then they are going to find something else and do a few other things. But that’s the way these things unfold. My point is that you don’t have a monolithic Congress. You have a heterogeneous Congress. You have different committees with different viewpoints acting out their drama. One of the dramas you have to be most attentive to is the appropriation drama – the guy that holds the purse strings. The Forest Service and the Bureau of Land Management both face this dilemma.

JO: Well, with the Forest Service and the Bureau of Land Management, (unless I’m wrong) there isn’t a lot of latitude on grazing fees. We can fluctuate 25 percent from one year to the next depending upon ...

RW: Based upon the action of the House Interior Committee, which was dominated by members who were able to achieve that goal. But now the issue is up for revision because that authority is expiring and that’s being debated. And so that debate is going to condition what the likely future, near future, is going to be. I’m in no position to tell you with any assurance
what the outcome is going to be. But I think that you are in a different environment than you were 10 years ago...

JO: Oh, yes.

RW: ...because of these huge budget deficits.

JO: It’s kind of a dilemma for the agencies, either agency, as I see it, because they really in essence don’t have any control over the grazing fees as far as what they are.

RW: Yes, they have relatively little control. They could raise the fee on the formula based upon externalities really and they did raise it as I recall. What is it now? $2.40?

JO: No, it’s $1.86 now, I believe.

RW: $1.86. What made me think $2.40?

JO: $1.30.

RW: It went from $1.35 to $1.86. My God, it was $2.40 several years ago.

JO: Even to the point of figuring out the other costs associated with grazing on the federal lands that’s incurred by the permittees, the Forest service (I think it was in ’83) was directed to do the study of what those other costs were. But even that was controlled in the sense that they contracted with university professors in economics who came to the field and met with the ranchers. But in essence, Forest Service personnel were not involved. It was an independent study.

RW: Well, I wouldn’t call that exactly an independent study.

JO: Well, it wasn’t independent, but it was contracted by an agency, but again we weren’t involved, at least from the field standpoint where I was at.

RW: There was a study done in the late ’60s too, but I believe it was a broader gauge study than what you described. But if these people did not talk with the full spectrum of society that should have an input illuminating the subject of grazing fees, there is always a risk that they may come up with a conclusion that isn’t broadly based and soundly conceived.

JO: Well, they may have, but this dimension of the study was primarily with the users to look at, what were the trucking costs, what were the loss costs, what were the costs imposed by the agencies for management—

[End of Tape 1, Side A]
RW: An animal unit month represents 900 pounds dry weight of feed, which it is presumed to be the amount of forage that a mature animal will consume. A cow, any animal, under six months is not counted in this process. As a rule of thumb we use five sheep as being equal to one cow. But since nobody knows how much feed either animal will eat in a month, it is, at best, a rough approximation.

JO: Depending upon the fee and the situation, it’s like one cow or 1,000 pound animal for one month. The grazing fees are based on more occupancy, you know one head per month.

RW: An animal unit month is one mature animal on the range for one month doing whatever it wants to do. Hopefully getting enough feed to gain weight. In fact some ranchers have weighed their stock before they went on either the Forest Service or the BLM allotment and then weighed them when they came off. In some situations they maintain their weight, and in some they lose slightly, and in some they gain, depending upon the condition of the range.

JO: And the management of the animals. You have some really productive, I think, [nutritious] forage, but the cattle may not get there if they’re not managed properly -- whether it’s systems or management by the individual rancher.

RW: One of my observations, Jim, was that cows tend to not want to go more than a certain distance from the water. Given the choice, they will go out so far, and if the feed is low they will come back to where the water is, and there will be unused forage. But if you can get your water scattered around the allotment in a way that’s consistent with the grazing habit of cows, you’ll get all that forage consumed, whereas sheep are not as particular and they will just keep on going. Cows will come back to the water.

JO: Sheep, typically are herded so there’s daily control, hourly control and direction. The cattle, even with water, without proper management like a system -- I guess whatever proper is. Maybe a better word is control, animal control, animal training, and behavior managed ... you really can have tough situations with lots of water if you don’t manage the situation and the animals.

RW: Yes, you have to move them from one water source to another to get them away from that part they’ve overgrazed. At least that is what I kind of observed as I watched some of our range managers trying to eliminate overgrazing problems.

JO: In talking about grazing fees and the changes that have happened from yesterday to today, you also mentioned the topic of the Appropriation Committee and the national deficit as it relates to what types of pressures possibly could be put on grazing fees. Is that to say that in the 1990s and possibly the 21st century that grazing fees will be looked at more intensely as a revenue producing item -- and maybe possibly go into a bidding type, open bidding for use on
the range as opposed to the past where it hasn’t been? It’s been in essence pretty much a
stabilized range of fees with a basis like (I think it still exists today) Pinchot’s comment on
managing the resource and still making somewhat of a profit.

RW: Well, I think (of course this is speculating on the future), I think budget pressures are very
likely going to affect the level of grazing fees. There are some people who think the budget
deficits, that we are getting more or more used to them and the growing national debt – but
I’m not convinced that that’s going to be the way it plays out. So, I think that we’re going to see
pressures to increase the receipts as well as pressures not to, but those directed towards
raising the receipts are going to be somewhat stronger. That will push the fee up. I don’t think
that that’s really going to condition the level of grazing nearly as much as I think the external
things are such as the competitiveness of range livestock with fed livestock, with controlled
livestock. I don’t think open range grazing is that significant as a national provider of red meat.

JO: I think there’s statistics that show the national forests provide only five to eight percent of
all the beef in the nation.

RW: Two percent is the figure I’ve seen. But if population and demand for red meat rises fast,
and the total demand for meat goes up, even though the Forest Service-BLM range is the
smaller part of the equation, there could still be a demand for just as many AUMs because of
the relative inefficiency of other lands to provide the feed for livestock. But I’m inclined to think
that the other land is relatively more efficient for livestock raising, and that open range grazing
is going to be less efficient, more costly to the permittee.

JO: There’s another factor, too, that is starting to play more and more into it, and that is that
other lands may be more efficient for livestock grazing than wildlands. But in the same light,
they’re also more desirable, for population, a place to live -- to have a second home. Some of
that is starting to play in too.

RW: Well, of course you’ve seen more of this more recently on the ground than I have. I think
that extensive outdoor recreation is going to continue to be a factor, particularly hunting and
fishing. I’m not sure that there’s real conflict between those uses and livestock grazing. They’re
both somewhat seasonal, particularly hunting and grazing. It’s possible to adjudicate those
differences. We have no real control, effective control, over numbers of wild animals—huntable
browsing animals compared to livestock. I think that wild animals can overgraze the range. Our
only alternative solution is to reduce the range livestock. We may not be able to put enough
hunting pressure on the deer to reduce their AUM consumption and they’re going to be
consuming the same thing that the cow would have consumed, but we can reduce the number
of cows. We’re not that good at determining the hunter pressure effect in reducing the deer
population. There’s no formula on this thing. I don’t see it being neatly resolved either. But I do
think we’re going to see pressures to increase fees. The external factors are going to tend to
drive down range livestock use. It’s not going to be as desirable a place for me to put my cows
as it used to be.
JO: All the red tape or pressures?

RW: No, just economically, financially. So, I’m going to be using other lands that I find, where I find it financially more rewarding, even though you reduce your grazing fee on federal lands, assuming you do. I think the fee is going to be going the other way. But the fee isn’t the thing that’s going to drive me off the range. I’m going to tell you it’s the thing that drove me off, but it really isn’t going to be. Perceptions are important. It’s easier to blame the government for what’s gone wrong than changing things and anything else. [laughter]

JO: One thing I’ve always been curious about in reference of grazing fees versus the sale of timber. We do competitive bid on timber, yet we don’t do anything competitive bid-wise with grazing fees. Why did that occur?

RW: Well, it occurred because a significant number of ranchers who graze their livestock on the national forest had lands in the general vicinity; but also, they were there when Pinchot came on the scene ...

JO: As opposed to the timber?

RW: ... and the timber people weren’t there.

JO: OK.

RW: The timber wasn’t being used. It wasn’t in a reserve status. But every year there were people turning their livestock out, bringing their livestock through on public lands and the national forest. So, because they were using it, Pinchot had to deal with it, he and his associates, on a real basis, they were there. But to sell timber, the Forest Service ... [first] you had to bring an application into the Forest Service. It had to be studied (you’d go look at an old Use Book). The forest supervisor had to study and see if there was a good reason for selling the timber, and then he would sell it. We viewed the timber side as reserves and that’s why the name even was there. The grazing was also present. You look through the debates on the 1891 and the 1897 act and you see nothing about grazing, practically. But it was a major activity that was going on and yet it wasn’t talked about.

JO: It was just accepted that that’s the way it is.

RW: Yes, and so that conditions it in a large part. Nobody has a permit on the national forest for timber year after year after year that he can point to. He may have had a series of contracts, but he bid on them. But the grazing permittee, he can look back at a chain of succession to this permit, always on the same geographic area, always for approximately the same number of animals.

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JO: That’s where it’s a privilege, but it’s kind of a different kind of privilege.

RW: Well, given that, you can make the pure argument for a competitive bidding on an allotment. But, I’m certain you know, as a guy with practical range experience, that there are only a certain number of allotments that are physically located so that the existing permittee is not in an economically favorable position to win over his competitors. Where, if you’re dealing with a checkerboard, and I’ve intermingled where my permit is, it’s going to be pretty hard for anyone else to graze their livestock there without doing a lot of added fencing and so forth, and the cost isn’t going to cover it. We’ve already put in a whole lot of fences on that allotment. They’re allotment fences; they’re not property fences, because we didn’t dream that there would ever come the day when this thing would be undone. It’s a totally different structural framework, and I’m not opposed to doing competitive bidding for livestock grazing permits, I just think that in 98 percent of the situations it wouldn’t work. There are those that say, “Well, if you did it, it would work.” You know, some of the folks from the Heritage Foundation and so forth. I don’t think it’s physically possible at this time. If we were to go way back to the beginning and start out “de novo,” then you could do it. But we aren’t and we can’t. So what it really boils down to is that your desire to graze out there is diminished by the adverse economic consequences, unrelated to the grazing fee that causes you to pull down your grazing use. At the same time you have a reluctance to give it up because it is relatively cheap. You say, “Well, gee, we do lots of things where we don’t put them on a hard economic scale,” ... as landowners we do. And ranchers are no different. They like to make money, but they also do some things that a dispassionate analysis would show are contra-indicated. But, my gosh, we all do that.

JO: It’s the lifestyle.

RW: Yes. Every cent that you will spend in this coming week won’t be wisely spent. [laughter] Particularly your wife will be sure of that.

JO: Well, I wouldn’t tell her that.

RW: So, I think that’s part of the way I would size it up.

JO: There are pressures on the industry. The industry is changing dramatically ... big corporations, tax shelters, companies from Texas, Florida -- everywhere else -- are buying ranches and have been for the last 10 years. They may or may not want the permit. They get the permits because they’re there and it’s waived in favor of them. But they may not have their heart into it from a lifestyle standpoint, or even less so from a financial standpoint.

RW: Well, yes. You can only go so far in romanticism. I’m not sure how far. It differs with various ranchers how far some of them are willing to go, but certainly romanticism is part of it.

JO: The next generation of ranchers, too, have a whole lot different outlook on life. How much they truly value that romantic life-style or calving, or pulling calves or feeding in winter ... all of
a sudden that may or may not be popular in the new generations ... on the competitive bid, because that is a hard reality of the history on the current situation.

RW: To me now, saying that we ought to have competitive bidding on livestock permits is about the same as saying I’m going to go into tree spiking. It may scare the hell out of somebody, but the chances are that neither is going to happen. [laughter] If you’re in the midst of a hearing and a member of Congress says, “Why don’t we use competitive bidding?” One thing you can be sure of, as soon as he says that, is that the livestock guys are all going to [gasp], “My God, no, protect us from that!” But if you were to hunt through the Forest Service and find the three people most in favor of competitive bidding, as a way of doing it, say, “All right, we are going to give you three national forests and you’re going to figure out how to do it by competitive bidding.” They’d be back in three months saying, “It won’t work. We’ll do it if you insist, but it won’t work.”

JO: And it won’t work because ...?

RW: Because of the relationship of the people that would likely bid on the range to the lands they own and the national forest lands. I may be wrong, but I would argue that if you lay that out on the ground and look at these factors and you said, “All right, it’s open to competitive bidding.” The only thing you would be able to do is to set a minimum price – let’s say the current one is $1.86 and you set it at $3.40, and then you waited for the influx of bidders, you’d get one bid – the guy that’s there now. If you set that grazing fee at $.40 you’d get one bid – the guy that’s there now. This would happen on nine out of 10 acres that’s under grazing permit.

JO: That would occur, not because others were interested, but because of the internal relationship industry has amongst themselves.

RW: No, just the physical relationship of me to that land. You’re some fellow down in Missoula and you’ve got yourself some private land and you’ve got some livestock. For years you’ve wanted to get out and get some of that low cost national forest grazing. Now it’s up for bid. You go, “My God, I can’t afford to do that, even if they gave it to me. Why should I screw up my existing operation to go out there and get that cheap grazing. It isn’t that good.” But when I can’t get it, I keep talking about getting it.

But, my other point is that the rancher himself, who we would scare the devil out of by telling him we’re going to go into competitive bidding, he would come to the bidding and find nobody else there. Nine times out of 10 he would find nobody else there. What he would find is that he is faced with a minimum price set by the Forest Service to get his livestock on that area that he traditionally grazed. Whatever that minimum price was, that’s what he would bid. Now if we put it up at sealed bid. He wouldn’t even know who we were, but he would be afraid that we were going to do it. He might offer more based upon his suspicion that somebody was going to bid. Then he would discover that he was the only bidder. He would have what Professor Jackson here at the University of Montana School of Forestry calls the winner’s curse. The
winner’s curse is that he bid more than he needed to, on a hindsight basis, to get the contract, because it was a sealed bid. He didn’t know what the others were going to do. So he bid it up, let’s say 100 percent over the asking price. Now he thinks, “Look, I left that money on the table.” But in another situation, using the winner’s curse concept, and it’s a viable one, if he bid exactly the advertised minimum – whether it’s a timber sale of a grazing permit – it doesn’t matter. And Olivarez came along and bid two cents more. Then he’s tearing his hair out saying, “Why did I think I could get it for the advertised price? Why didn’t I know there was an Olivarez down the road? [laughter] Look, now I’m out.” And there’s Olivarez sitting there as happy as can be. He got it for two cents more, until he goes out and looks at it and says, “Why did I ever bid on this thing? It’s not as economic as what I have.” This is your first venture into public land grazing. [laughter]

So, those are factors that I think we tend to overlook in this debate. There’s too much emotionalism and not enough realism. Your associates may have a different view of it. As I’ve watched this thing unfold, I find there’s an awful lot of that sort of worry about what would happen “if.”

JO: Yes. I’ve been away from [being] on the ground for two years now -- being in the supervisor’s office and being here in the Region One office. But one of the realities when I was there at the ground level was that we had a laundry list of people anxious to get a federal permit. They come back year after year, month after month, waiting for something, because they were all taken. They were 10-year permits. You know how it was then. Once in a blue moon is when something would come open without a tie ... to think I only processed one, maybe two, in fifteen years that way, from a grant process.

RW: But I think in some of these cases when these people got out there, they didn’t know what they were missing. They believed they were missing something that was really wonderful. But once they got out there on the ground, they might discover it wasn’t nearly as wonderful as they thought it was. It’s like a blind date. These guys haven’t gone out on the ground and said, “Well, how many head can I put out there and get what sort of financial result? All I know is that every time I think about it, look at it, this guy out there with that grazing permit has got a real deal. He’s paying $1.35 an AUM. The cows are getting all they want to eat. They aren’t even gaining weight. They went out at 900 and came back at 910. [laughter] Right?

JO: Well, I don’t know about that.

RW: Yes, but it varies with the range. I’m not saying all the range was bad. Some of it is good grazing, but it also varies from year to year.

JO: Those people that are under the perception that you can just turn them out and come back in the fall and get them and they gained. That is a misconception because it is a lot of hard work. That rancher has to learn that country and work with the agencies and ...
RW: And work with his livestock.

JO: If you want it to work, you work with your livestock.

RW: In the Western movies you turn you cows out, but not in the real world. They ought to prevent Western movies from being made in the West because they’re not realistic.

JO: One comment that you made earlier about the Forest Service, and the BLM ... or the rancher’s livestock could say the price needs to be higher, but it won’t necessarily be looked at that way. It’s Congress. That’s the reality then, is that Congress and the Appropriations Committee [each] has its own way ...

RW: They have two different ways of looking at it, yes. If you are on the Appropriations Committee, your duty is to try to decide on the allocation of federal funds and, in the process, look at receipts. If you are on an authorizing committee, such as the Interior or Agriculture Committee, you don’t have to look as hard at the receipt side. You’re not in charge of the purse strings. You tend to be more willing to see the federal government spend, and you’re not as concerned about whether the budget is balanced. The life of members that are on the Appropriations and the Ways and Means Committees, which are the spending and the tax committees, give them a different outlook on what the federal government is doing than the life of a member who is on the Interior Committee or Veterans’ Committee or the Education Committee, which is looking at government performing a different role. A guy on the Ways and Means Committee is talking about raising revenue or losing revenue; every time he makes a decision, it’s one or the other. Whereas if you are voting on whether to increase the authorization to study AIDS, that’s a different ball game. I’m not saying that these people aren’t responsible. I’m just saying they function in a different atmosphere.

JO: My outlook for the agency from our one viewpoint is it’s not really a business or a profit making business from my vantage point. The grazing fees aren’t really set up that way from a profit standpoint.

RW: No.

JO: If they were, we’d be doing things differently.

RW: It costs federal government about three times as much to run the grazing program as it takes in.

JO: Yet at the same time I think agencies are looked at, “Well, what do they bring in.” [laughter]

RW: Yes. The part of the situation, Jim, is we foresters have used timber as the prime example, which is why it is in the eye of the storm. I can just give you a good example I think will illustrate the point out of the forest service ... here’s the TSPIRS program for fiscal ’87. This is signed by

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Dale Robertson. It starts out, “Dear National Forest User, Good news! The timber sales program on the national forest shows the receipts exceed costs by $540 million during fiscal ’87 based upon generally accepted accounting principles.” Now that would lead you to conclude the Forest Service made a lot of money on the timber program. It isn’t true. 1988 TSPIRS comes out again, “Dear National Forest User, I’m pleased to report that the timber program on the national forest for fiscal ’88 produced $690 million in revenues – up from our report for fiscal ’87. Over $120 million more.” That isn’t true either.

JO: So, it isn’t actual timber receipts, it’s that $120 million ...

RW: These profits he’s talking about! Alleged profits. I’m saying it isn’t true. But my point is here that—

[End of Tape 1, Side B]
RW: Here are two statements claiming the timber program is a real moneymaker. And so we are trying to convince people it's a real moneymaker. The Appropriations Committee has directed the Forest Service to devise a cost accounting system across the board, so you folks in running the range program are going to have to do the same thing. You're going to have trouble showing that there's good news. You don't have to do too much budget analysis to know automatically that the grazing program, right on the face of it, is costing three times what it takes in. But yet under TSPIRS, the Forest Service has devised this system when the timber program isn't making that sort of money to make it look that way. But they're not making that kind of headway with the House Appropriations Committee convincingly, because those people (men and women) are dealing in the real financial world. I think that one of our problems has been that we act as though these programs make money that don’t, instead of looking at it realistically and figuring out what the cost is and trying to decide what level of subsidy there ought to be. We know the recreation program doesn’t make money and people in support of recreation have never contended it did. Yet that’s a viable use of the national forests. I think this quest to put everything on a financial scale is one of our problems because — you mentioned it earlier — not everything that an agency does is measurable in terms of financial results. If it were, we'd have no research program.

JO: TSPIRS program and the all resource reporting system, which is the second phase (you might call it), is an effort to not only display real money expenditures from the program and real money receipts — the actual nickels and dimes in the coffers for the sale of the fiber — but also the associated values, and try to put a handle dollar-wise, through this dollar language, of the benefits to wildlife or forage, transitory range or whatever, as affected by that timber sale project.

RW: But what I’m pointing out here is that what I read to you is the financial numbers that allegedly exist and they’re wrong. My view, based on my experience in resource management and my biases in resource management, is that we would be far better off not contending that we are making money when we are not, and simply basing our case upon [the concept]. If you want to buy benefits that can’t be quantified, and as a society, we think they are worth getting, this is what it’s going to cost us. Do you want that? Do you want a six-pack of beer? Do you want to send your kids to school? What is it worth to send your kids to school? We don’t know whether your children or my children are going to turn out to be useful members of society. If we knew in advance, would the Hinckley family have sent their kid to school? We do these things based upon a general view that there’s an overall societal good. To try to get these things quantified ... I think net public benefits is like smoking pot. It gives you a high, but when you come down from it, you are right where you were.

JO: Real money versus soft money.

RW: Yes.
JO: My way of putting that is do you want me to be your business, or do you want me to be something else?

RW: Pinchot started us down this road by saying that forestry could be profitable as well as open land range grazing can be profitable. If it isn’t profitable let’s not pretend it is. But if there are ways to do it where it is profitable, we ought to know that and able to quantify it. But if we want to do it on land that won’t return the cost, then we have to decide, do we need the beef that’s going to be produced on that land or is it better to get it somewhere else? Now if we need it so badly that we’ve exhausted all the profitable opportunities, then we may need it on the unprofitable land. But we have to know what it’s costing us. There’s no free lunch. If we had paid more attention to this we wouldn’t have a $3 trillion deficit. [laughter]

JO: Part of, at least in my mind, some of the driving forces, like on TSPIRS, is you are given figures that not so much from the positive benefit standpoint, from soft money to fisheries, but the negative effect of this sale to fisheries. As an example ... that’s soft money too. But the amount of fish they’re going to catch in the ocean, off the coast of Oregon, is less because of the effects in Montana on the Columbia River drainage ...

RW: Or [if you’re] using the net public benefits on grazing. We say that timber harvesting is worth $11 an AUM, but the grazing fee is $1.86. I don’t think it makes much sense to put an $11 AUM figure in there, assuming the grazing is there, when all you are getting back is $1.86. And out of that you’ve got to put 50 percent into the grazing fund and make a 25 percent payment.

JO: When you’re out there you get back into a business profit-loss situation versus a value to society. That’s what the economists speak to. This $11 is the value to society for this particular product.

RW: But one of the things in the grazing program as well as the other ... what we need to be looking at is, if you want to go out and do a certain range project because you think you’re going to improve the AUM output and produce some conservation benefits, and I say, “Well, why don’t we take the livestock off that land as the alternative?” What you need to be able to do, I think, as the alternative, or cost effective alternative, is to do what you want to do rather than what I want to do. Now if it isn’t, then your obligation is to say, “Well, yes. We ought to take the cows off that land.” You ought to be able to demonstrate to me that it is more cost effective to take them off. Then we look at the societal aspects. I might decide let’s take them off just part of that, because the part we are going to take them off is the part that is being most seriously degraded by continual grazing. Those are subjective kinds of things, though. If we look for simple formulas for doing it, we will never find them. We might as well recognize these are going to be subjective judgments, but they are going to have some analytical underpinning.
JO: What you said is in essence where we are today, at least in the new wave in the Forest Service of the late '80s and the 21st century. You mentioned the word “conservation practices” ... “through achieving conservation practices” or “desired future condition” are the buzz words today. That is our primary objective within the rangeland vegetation management arena today, or discipline. Along with that, the use of livestock as a tool in a cost effective way, to reach our end results from a conservation practice standpoint, at the same time, provide commodity benefits to society. That’s the way we’re looking at the management today – you called it to a tee, the ‘80s and the 21st century.

RW: I had several introductions to grazing issues, but one of them was through Gus Hormay, who was an advocate of what was called rest-rotation grazing. When he was advocating it, a lot of people in the Forest Service thought he was nuts. The BLM hired him away from the Forest service. I thought that Hormay had a sort of pragmatic, subjective, but realistic way, of trying to balance these things out. It wasn’t done with some fine formula – it wasn’t like floor plans. [laughter] It was sort of a pragmatic thing. What the BLM did was, they sent Hormay around trying to train range managers to use the system he was espousing. Not having Hormay dictate it, but to train people and to get them to understand that there are ways of manipulating the environment in a sound conservation way. This was entirely separate from the issue: what should the grazing fee be? This was a question of how many head of livestock should you have out on any given piece of real estate at any particular time in the grazing year. How did you decide the turn out date? How did you examine when they should be there, and how many there should be, and how rapidly you should move them over that range, so that when they left it, it was in at least as good shape as when they started out on it. This idea of being what we now call environmentally sensitive isn’t something brand new. And Gus Hormay wasn’t the only person in the world talking about it. That was 1964 or ’65 -- 25 years ago. I guess maybe each generation has to discover sex all over again.

JO: How are we doing on time?

RW: Have we got it pretty well licked?

JO: Have you got any questions that we might have missed? Do you have anything that you want to add that we might have missed?

RW: If not, this is a good place to call it quits, I guess.

JO: I only had four or five areas and we hit all of those.

[End of Interview]