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Animal Unit Month Proposal

After long consideration, I came up with this proposal in December 2007 as a means of drought relief for the South West Drought Disaster Committee at Ponteix. This proposal could also be used as a long-term solution for the cattle sector if used as a base support program.

This proposal is trade friendly (NAFTA), and gets around direct cow payments with an environmentally friendly grass type payment. It could be used as an ongoing support payment to livestock producers on a fair basis, both to producers and government.

Here goes:

When I was 18 years old, an old rancher named Jim Anderson of Fir Mountain told me that as a rancher I was not raising beef, but managing grass. As long as I managed my grass properly I would always have money. So I thought of a way to get away from direct cow payments by going to an Animal Unit payment system.

Animal Unit Months are assigned by SAMA to each and every quarter of grass in the province. Be it deeded or lease, private or public, native or tame. They run as low as 8 units per quarter in the southwest, to as high as 164 units per quarter in the northeast. They will be on all tame grass as long as the owner asked for re-assessment after he seeded the grass.

Animal Unit Months are used by SAMA on their field sheets to arrive at tax rates, and used by Sask. Ag. to determine carrying capacity and lease rental rates.

We could also use them to arrive at a cattle support program that should be NAFTA trade friendly, not affect cattle prices or be forcing anyone into an unpopular program, as Alberta has done.

I am told the average AUM in the province is 44 per quarter section. In my area it is lower, but let's use 44. We graze any one quarter for 4 months in the summer, thus $44/4 = 11$, or 11 cows per quarter. If you allow \$25.00 per AUM, you get \$100.00 per cow or \$1,100.00 per quarter which is what most lost last year per cow. ($44/4 = 11$ and $44 \times \$25.00 = \$1,100.00$)

You can use any amount you wish for an AUM payment but it would all work out. This year I don't think we lost as much as last, so \$10.00 per AUM would probably work. There are

AUM's applied to every quarter of grass in the province, even tame - providing the assessment has been appealed, AUM's are then assigned.

As I said, this would be a very NAFTA friendly system. The beauty of this system is that it encourages people to graze properly, and thus becomes a sort of environment payment as well.

***VIP:** Those who are in the community pasture for summer grazing could use their allotment to that pasture to get a payment. All community pastures are run on an AUM system I am assuming, as patrons are all allotted a certain number of cattle.

Those who rent a private pasture would have to work out an arrangement with their landowner.

Benefits of AUM Payments

- Encourage proper grazing rates. Those who choose to graze heavier would only get paid for their AUM's.
- Encourage the sell-off of older unproductive cows.
- By grazing properly, we are preserving the environment. By using AUM payments we could be seen as green friendly.
- AUM payments would still get money to those who have sold or reduced herds due to lack of water, grass or hay.
- AUM payments would help stop the breaking up of land better suited to grass, as well as prevent the release of carbons into the atmosphere when land is re-broken. This would also reduce erosion of all kinds.
- AUM payments would be NAFTA friendly.
- AUM payments would not be forcing anyone into any programs which could be unpopular, as Alberta has done.
- AUM payments would not affect the market price of cattle as direct cow payments have done in the past.
- AUM payments can be easily raised or lowered according to economic trends.
- AUM payments would reflect the productive capacity of any said quarter, whether tame or native, or hay land.
- AUM payments may actually encourage seeding of poor land to grass trapping carbons, preventing erosion, creating diversification of agriculture, and helping the environment.
- By protecting native grassland with AUM payments we would also be protecting Indian heritage sites, pioneer sites and wildlife habitat.
- AUM payments should and could stabilize cattle numbers over time if followed and therefore stabilize cattle prices as well. Stable cattle prices will facilitate the ability for new entrants to enter into the cattle business.

As on any program there may be a cap to prevent paying too much to any one individual. For example: we can't be seen as giving too much to the large leaseholders for government land.

As well, any money owed by anyone to the government could be deducted from the program. Examples here are: lease rents, ACC payments, land rents, community pasture fees, advance payments on livestock – the list goes on.

I hope this helps explain the program.

The last portion of this proposal is how to pay for it and the cost.

I estimate that at \$25.00 per Animal Unit, it would cost as much as \$100 Million at the \$25.00 AUM rate.

We could pay for it through Agri-recovery, Agri-stability, or use it as a type of producer participation insurance program with a set trigger mechanism, or it could be paid as a tax rebate. Also, what benefits from an environment that is clean?

Water and Air. How about a slight surcharge on water bills or power bills which use water to produce power. How about a carbon tax since carbons are sequestered by grass?

These are only ideas, and I look forward to input from anyone who can add to them.

Please write or call with suggestions.

I would look forward to helping in any way I can.

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P.S.

This plan could also AUM's as a base insurance on grass, just as cultivated land has crop ins based on stble and smf. GRASS has AUM's on it. With a producer premium and a trigger mechanism AUM's could be for grass what base coverage is for cultivated.

- Norm Nordgulen