



Rental Rate Framework and Lease Cost Survey

Recently the AGLA has received some calls and e-mails from some grazing leaseholders about a grazing lease cost survey being conducted by MNP – the consulting firm formerly called Meyers Norris and Penny. Leaseholders have had questions about the purpose of the study as well as concerns about whether their information will be kept private.

Grazing lease rental rates and assignment fees in Alberta have been frozen since 1994. Our operating costs have changed substantially over the past two decades and the formulas need to reflect this fact. For example, as the number of industrial and recreational users has grown so too has the demand on leaseholders to manage these competing uses. The current framework does not adequately capture these operating costs.

In 2013 the government announced that it was going to conduct a review of the grazing lease rental rate and assignment fee system with the intent to implement a new framework. AGLA, along with other industry leaders began working with the province at that time on a plan to consult with leaseholders to design the new framework.

Two years ago a beef industry working group recommended that a confidential survey be sent to leaseholders so that the province could better understand the full costs of managing a grazing lease on provincial land. Also, the information from that survey would be summarized and used to develop a proposed rental rate formula.

It is understandable that leaseholders may initially be reluctant to participate in this survey but the AGLA is encouraging all leaseholders who received the survey to provide the necessary information to MNP.

The AGLA is extremely supportive of this survey project because if we do not get your feedback, the government has to rely on operating costs from more than 20 years ago to calculate the current rental rates and assignment fees.

The MNP survey is also looking to better understand the full range of costs of operating a grazing lease on provincial land. These costs include:

- The capital investments over the years in range improvements, fences, roads, dugouts and watering systems and buildings and corrals.
- The annual operating costs including all labor and maintenance, utilities, seeding, and weed/brush control.
- Appropriate portions of owner/manager labor costs, which should be included in public grazing lease operating costs (both cash and non-cash costs).
- All other farm costs that are allocated appropriately and included in grazing lease operating and development costs (e.g. fuel, utilities, and equipment, building and corral depreciation).

- The labor dedicated to the management of multiple uses on the land -- which refers to the added cost of dealing with other land users (recreation, hunters, oil and gas, etc.) and the cost of mitigating the impact of these other users on the grazing lease operations.
- Other costs as identified in the survey.

The information you provide on the survey will be kept private. None of the information will be shared by MNP with the government. However, the information you do provide will be summarized in aggregate and a report prepared for industry leaders and government.

More information on the purpose of the survey or the design of the new rental rate framework can be found on the AGLA website here:

http://albertagrazinglease.ca/downloads/2015/Rental_Rates_Summary_Proposal_2014.pdf

If you have any further questions about the survey please contact:

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