

**Forest Service Handbook  
National Headquarters - Washington Office  
Washington, DC**

**Forest Service Handbook 2209.13 – Grazing Permit Administration Handbook  
Chapter 20 - Grazing Agreements**

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The purpose of grazing agreements is to allow use of Federal lands along with associated lands within the scope of Title III of the Bankhead Jones Farm Tenant Act. Grazing agreements can also be used where practical and desirable in lieu of direct permits on other National Forest lands. Grazing agreements may be made with cooperative grazing associations or similar entities organized under State law. Such agreements make Forest Service administered lands and improvements available for grazing purposes to associations under conditions that encourage sound management of all lands controlled by the associations.

Regardless of the kind of National Forest System lands on which the association operates, success and benefits depend largely upon the group of people involved, their vision, sincerity, and objectives for the proposed program. Crucial to successful cooperative management under a grazing agreement is clear, mutual understanding of the association's plans and objectives, and Forest Service policies. Such mutual understanding must occur during the early and formative stages of the association. Include Farmers Home Administration when this agency is involved.

Association members and nonmembers may be permitted grazing in the same community allotment. Under these circumstances the land made available through an agreement to the association would encompass the entire allotment, but the grazing allotted to the association for its members would be only a portion of the available forage.

## **21 - Qualification Requirements**

See FSM 2232.1 for the requirements to qualify for a grazing agreement.

If a grazing association purchases base property and is otherwise qualified, the Forest Supervisor may enter into a grazing agreement with the association for the lands formerly under term permit to the selling party. The association need not use the property as base property following purchase.

If a permittee with an established term grazing permit wishes to become a member of a grazing association and waives the permit to the Government, the Forest Supervisor may include the lands formerly under term permit in the agreement. If the Forest Service terminates or does not renew the grazing agreement, the term permit relinquished may be returned to the permittee provided term permit qualifications are met.

## **22 - Preparation and Execution of Agreement**

Forest Supervisors are responsible for assuring competency and qualification of organizations prior to entering into a grazing agreement (FSM 2232.1).

Prepare grazing agreements and rules of management jointly with the association; include support material needed to clearly illustrate responsibilities. Supporting documents for a grazing agreement shall include the following:

1. A certified copy of articles of incorporation and/or similar documents substantiating the organization's required powers and its authority to exercise such powers.
2. A certified copy of the bylaws of the organization.
3. A copy of or reference to the State's enabling legislation concerning formulation of grazing associations or districts.
4. A tabulation of the following information:
  - a. Total acreage of lands covered by the agreement.
  - b. Acreage of Forest Service administered lands covered by the agreement.
  - c. Acreage of other lands controlled by the organization and covered by the agreement.
  - d. Acreage of lands controlled by individual members and other resident operators covered by the agreement.
5. A map showing acreage in items 4 a, b, c, d, and improvements controlled by the agreement.
6. A list such as that found in Forest Service Range Management Information System (FSRAMIS) describing improvements (FSH 2209.12).

Before approving the grazing agreement the Forest Supervisor must seek administrative and legal review through the Regional Forester.

File the original agreement and attachments in the Supervisor's office.

### **22.1 - Changes in Lands or Improvements**

The grazing agreement shall require that the Forest Service notify the organization of all proposed changes in lands and/or improvements included in the agreements and the reasons for the changes. The parties to grazing agreements must agree to the changes before they are effective.

As applicable, include with the notice:

1. A revised map of the area included in the grazing agreement.
2. A revised listing, by legal or other description, of acreages covered by the agreement and a revised listing of improvements to be maintained by the organizations.

### **23 - Rules of Management**

As provided in the grazing agreement, the board of directors or the association, with assistance and approval of the Forest Supervisor, shall develop rules of management for use by the board in administering grazing on all lands controlled by the association. Rules of Management for a specific association may need to be more restrictive than its bylaws or incorporation articles to ensure conformance with Forest Service policy and/or procedure.

The association shall develop rules of management simultaneously with and to become part of the grazing agreement.

#### **23.1 - Rules for Associated Lands**

When associations regulate grazing on both private and public lands grazed by their membership, the rules of management must provide a practical means for carrying out the management program on all landownerships, and for distributing grazing privileges fairly and equitably to all qualified applicants. Each rule of management shall apply to all land ownerships controlled by the association.

Rules of management for associations that regulate grazing on the National Forest System and association lands may, to the extent necessary, include the following exceptions to standard Forest Service procedures:

1. Associations may issue grazing permits regulating all livestock that the individual member may graze on lands controlled by the association and on his privately owned land.
2. The Forest Supervisor may redelegate authority to approve nonuse for personal convenience to the association.
3. Upper limits shall be established that govern the numbers of livestock a member will be allowed to graze on all lands controlled by the association, including Federal, State, and private ownership. Upper limits should not be separated by landownership, either public or private. Numbers permitted under temporary permit may be counted toward the upper limit. See section 12.31b when a permittee holds both an association permit and a direct Forest Service permit.

4. Whenever a member violates any of the terms and conditions of the association's permit, provisions of the association bylaws, or the regulation, limitations, or restrictions imposed by the association pursuant to these bylaws, that member's permit shall be subject to suspension or revocation by the association's board of directors.

5. When associations regulate grazing on all public and private lands grazed by the membership during the year, increased grazing capacity resulting from work done by a member on his private or leased land may be made available to him. The increased use need not decrease the dependency of the number on other association-controlled land.

6. Base property may be leased under certain conditions.

7. Share livestock operations may be approved on National Grasslands under certain conditions.

A livestock grazing permit on National Grasslands issued under a grazing agreement to an association member using leased lands as base property is not a property right. It is a privilege approved for the use and benefit of the person or legal entity to whom it is issued.

Depending on past administration of grazing agreements, the permit may or may not be attached to the leased base property. When the leased base property has historically been attached to the permit, the person owning the base property does have further claim to the permit upon termination of the existing lease. When the leased base property has historically not been attached to the permit, the person owning the base property does not have further claim to the permit upon termination of the existing lease.

### **23.2 - Rules for National Forest System Lands**

When the association's program involves only National Forest System lands, Forest Service policies and procedures for issuing and administering term and temporary grazing permits must be made a part of the association's rules of management. However, the association's rules of management usually will not provide for issuance of term permits based solely on purchase of permitted livestock.

Usually an association operation that involves only National Forest System lands is least desirable in working toward stated objectives (FSM 2232.02).

When considering an agreement covering only National Forest System lands, evaluate the association's proposed range management plan to ensure that it will achieve Forest Service objectives for the area.

## **24 - Administration of Grazing Agreement**

Cooperative organizations must conduct the management programs in a businesslike manner. Each party to a grazing agreement should clearly understand the specific responsibilities of all parties to the agreement.

Methods used by various organizations to carry out their responsibilities differ. To the extent possible, the Forest Service shall accommodate this variance, but the Forest officer in charge must assure that the organization is currently fulfilling its required obligations to:

1. Maintain improvements.
2. Jointly checking actual forage use with Forest officers and comparing it with the grazing plan.
3. Take appropriate action in all cases of unauthorized and excess use.
4. Issue permits in accordance with rules, and check compliance.
5. Collect fees properly and verify the records.
6. Keep adequate records of all official actions.
7. Maintain necessary and proper financial records.
8. Keep adequate records of permits, base property, and related data.
9. Jointly participate with Forest officers in determining the amount of grazing or other use to be permitted under the grazing agreement.
10. Perform the planned development work.
11. Pay the fees due the Government on schedule.

The Forest Service shall audit the preceding requirements as necessary, including review (1) of association's accounting records and statements, (2) collection procedure, (3) use of fees, and (4) supporting documentation for accomplished conservation practices.

### **24.1 - Annual Notice**

District Rangers working with the grazing Associations determine the amount of use for the coming grazing period and provides for billing of fees.

## **24.2 - Payments**

Associations must make all payments due the Government in advance of grazing period for which payment is due. Organizations may make payments in two installments if agreements so provide.

## **24.3 - Land Use Practice Costs (Conservation Practice and Administrative)**

In calculating annual grazing fees allow cost incurred by grazing associations or direct permit holders in carrying out required land use practices, such as conservation practices and administrative activities, as expenses of the grazing permittee (FSM 2232). The Comptroller General of the United States issued a decision dated November 8, 1950, on land use practices (exhibit 01).



**24.3 - Exhibit 01**

COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C.

B-77467

November 8, 1950

The Honorable  
The Secretary of Agriculture

My dear Mr. Secretary:

Reference is made to letter of October 24, 1950, from the Assistant Secretary in response to request of August 24, 1950, for your views with respect to the practice of the Soil Conservation Service of leasing lands covered by Title III of the Bankhead-Jones Farm Tenant Act at reduced rentals in return for the performance by the permittees or lessees of improvements, etc., to the lands, thus resulting in what appeared to be an augmentation of your Department's annual appropriation for "Land Utilization and Retirement of Marginal Land," and resulting, also, in what appeared to be a diversion of funds otherwise payable to the county or counties in which such lands are situated.

The letter of October 24, cites particularly as authority for such practice the provisions of section 32(c) of the act, supra, 7 U.S. Code 1011(c), which authorizes the Secretary "To sell, exchange, lease, or otherwise dispose of, with or without a consideration, any property so acquired, under such terms and conditions as he deems will best accomplish the purposes of sections 1010-1013 of this title."

The said letter indicates that the condition of the land determines whether certain land use practices--it being understood that fencing and the providing of water tanks properly may be classified as land use practices--are to be imposed upon permittees or lessees, and that the fees or rentals are established in relation to the value of the use of the land as it may be used under the required land use practices. In that connection, it is pointed out that the lands which can be used under the act without the necessity of imposing additional land use practices have a greater value than lands which, because of their condition, require the imposition of special land use practices upon permittees or lessees at their own expense.

Considering the broad purpose of Title III of the Bankhead-Jones Farm Tenant Act, and especially the authority vested in the Secretary by section 32(c) thereof to lease lands, with or without consideration, under such terms and conditions as will best accomplish the purpose of the act, no further question will be raised by this office

**24.3 - Exhibit 01--Continued**

with respect to what had appeared to be an augmentation of funds resulting from the leasing practices referred to in Office letter of August 24, 1950.

Moreover, in view of the foregoing, it now appears that no diversion of funds otherwise payable to the counties in which the lands are situated would result from the above-mentioned leasing practices. Section 33 of the act, 7 U.S. Code 1012, requires that 25 per centum of the "net revenues received by the Secretary" from the use of the land shall be paid to the county or counties in which the land is held by the Secretary. As stated in your Department's letter, it seems obvious that said section 33 requires payments to counties of no more than 25 percent of what the Secretary actually receives. Accordingly, no further objection will be interposed by this Office in that respect.

Sincerely yours,

(Signed) Lindsay C. Warren

Comptroller General  
of the United States

## **25 - Memorandums of Understanding Involving Grazing Agreements**

The Statement of Understanding between Farm Credit Administration and Soil Conservation Service (SCS), (sec. 25.1) and the Memorandum of Understanding between Farmers Home Administration and Forest Service (sec. 25.2) recognize escrow arrangements related to loans with grazing associations and members. They also set forth procedures for handling these arrangements.

### **25.1 - Statement of Understanding Between Farm Credit Administration and Soil Conservation Service (SCS)**

The SCS and the Farm Credit Administration entered into a statement of understanding and supplemental agreement on November 19, 1943 (exhibits 01 and 02). In the statement of understanding, SCS agreed:

1. Provide reasonable assurance that the SCS would honor escrow arrangements pertaining to Government-owned land and entered into by the association and the Federal Land Bank if the grazing agreement were terminated or not renewed upon expiration.
2. Acknowledge receipt of the questionnaire, furnished by the Federal Land Bank to be completed by the association, and to supply the lending agency with available pertinent information that would have a bearing on the case.

The Forest Service continues to honor this agreement. Forest Service administrative procedure shall be as follows:

1. The Forest Supervisor shall approve any supplemental agreements to the statement between the Federal Land Bank and the grazing association.
2. The questionnaire supplied by the Federal Land Bank to the Association shall be reviewed and signed by the Forest Supervisor. The Forest Service shall supply the lending agency information that may have a bearing on the case. Ordinarily, such information will not be confined solely to range conditions.

## 25.1 - Exhibit 01

### STATEMENT OF UNDERSTANDING BETWEEN THE FARM CREDIT ADMINISTRATION AND THE SOIL CONSERVATION SERVICE

The Soil Conservation Service is charged with the supervision and administration of certain Federally-owned lands suitable primarily for grazing purposes, acquired or held under Title III of the Bankhead-Jones Act. The Federal land banks, both in their own capacities and as agents for the Federal Farm Mortgage Corporation, are authorized under the Farm Credit Act of 1935 (Federal Farm Loan Act, Section 12 Fifth, as amended) to take into consideration, in connection with a loan to a livestockman, the extent to which the earning power of his fee-owned lands is increased through the use of outside grazing lands (state or Federal) under lease, when the continued use thereof is reasonably assured for the term of the loan. Also, the production credit associations are authorized under the Farm Credit Act of 1933 (12 U.S.C. 1131g) to make, under such rules and regulations as may be prescribed, loans by the production credit corporations for their respective districts, loans to farmers for general agricultural purposes, including loans to ranchers for the breeding, raising and feeding of livestock and other related purposes. These two types of lending organizations, which are component units of the Farm Credit Administration, are hereinafter referred to as the "lending agencies."

The first purpose, therefore, of this memorandum of understanding is to signify the mutual desire of the S.C.S. and the Farm Credit Administration to act jointly as to their respective spheres of operation, it being understood that the Governor of the Farm Credit Administration is acting in the matter for the benefit and protection of the interests of the above mentioned units of the Farm Credit Administration. It is recognized, however, that in exercising its jurisdiction over these Title III lands, the S.C.S. has entered into or may enter into grazing agreements with State grazing associations or Districts or Soil Conservation Districts (hereinafter called "Districts") through which such Districts assume certain responsibilities for the management of these lands. It is also recognized that in accordance with a memorandum of understanding between the Department of Interior and the Resettlement Administration, dated October 1, 1936, purchased lands in certain projects now under the jurisdiction of the S.C.S. and located within Taylor Grazing Districts are pooled for use with Grazing Service lands and in some areas made available to grazing districts by the Grazing Service.

The second purpose of this memorandum, in order to achieve the objective, is therefore, to set forth: (1) the steps to be followed by a permittee of the District who applies for a loan from an agency under the supervision of the Farm Credit Administration; and (2) the action to be taken (a) by a Federal land bank or

### 25.1 - Exhibit 01--Continued

production credit association upon the receipt of a loan application from a livestock operator who is a permittee of the S.C.S. or a district or association managing Title III lands under an agreement with S.C.S. or the Grazing Service; (b) by the District in evidencing the "reasonable assurance" required in the particular case; and (c) by the S.C.S. in supplementing such "reasonable assurance" as may be desirable to cover the eventuality of the agreement covering the Title III lands to the particular District not being renewed directly to it at the expiration of the current agreement.

As soon as practicable after the execution of this agreement, each Regional Conservator of the Soil Conservation Service will notify the District office or offices of the Farm Credit Administration as to each District and non-District project area in the respective Farm Credit region or regions where grazing preferences have been established and operations sufficiently stabilized so that the Soil Conservation Service is prepared to carry out its obligations under this agreement with respect to the particular area. Farm Credit Administration district offices will be notified of additional District or non-District areas as the circumstances warrant. In order for this agreement to be operative in a District area of which the Farm Credit Administration is so notified, the Farm Credit Administration may request the District to signify its endorsement and approval of this agreement in the form of a supplement executed in quadruplicate to be attached to facsimile copies of this agreement, a copy to be retained by each of the agencies (including the particular bank or production credit association and the Kansas City Office of the Farm Credit Administration). A copy of the agreement between the S.C.S. and the District, and a copy of the regulations and bylaws of the Districts, if any, shall be attached to the supplement and made a part of this agreement as to the particular District. In the case of a District managing pooled Title III lands under an agreement with the Grazing Service, the foregoing procedure will also apply, except that the Regional Grazier of the Grazing Service will be requested to concur in the supplement to this agreement executed by the District. In non-District project areas, this agreement may become operative immediately upon notification to the Farm Credit Administration, as provided above, that the S.C.S. is prepared to carry out its obligations under this agreement with respect to the particular area.

After this agreement has become operative as to any District or non-District area in the manner prescribed above, the following steps, definitions, safeguards, and procedures shall be furnished and adopted, respectively, by the parties concerned, and the undertaking set forth with respect to each shall become a primary responsibility of each such agency in individual loan cases in which the lending agency takes into consideration the preference of the applicant for grazing on S.C.S. or District controlled lands. (See section XI below)

## 25.1 - Exhibit 01--Continued

### I. Necessary preliminary steps to bring a particular loan applicant within the scope of this agreement.

A prospective applicant for a Federal land bank, Land Bank Commissioner or production credit association loan shall accompany his application with the usual "questionnaire form" in triplicate (an approved copy of which is attached hereto and made a part of this agreement), filled out with respect to the inquiries pertaining to him, whereupon the lending agency shall present such questionnaire to the District for the purpose of supplying pertinent data relating to the permittee-applicant's relations with the District.

### II. Pertinent information and data furnished in the questionnaire.

- (a) The applicant shall set forth, in the section of the form respecting information to be supplied by him, the pertinent facts concerning his grazing operations, such as the number of acres owned in fee, any acreage covered by a lease on private lands, the number of livestock (kinds, etc.) which he is permitted to graze under preference permit on the lands under the District's control, and other information determined by the several agencies participating in this undertaking as helpful.
- (b) The lending agency, prior to submitting the questionnaire to the District, shall insert such information as may be helpful to the District relating to the applicant's request for a loan.
- (c) The District shall confirm the information furnished by the applicant with an analysis of the various kinds of ownership composing the lands controlled by the District within the operating unit with particular reference to the application involved, indicating the number of acres of each; special information to be furnished respecting the lands in private ownership held under lease by the District having a bearing on the particular application for a loan; the information to be supplied as to the manner in which reductions in stocking for protection and preservations of the range should be supplied, indicating the manner in which reductions will be made where it is necessary to reduce the carrying capacity on the District's grazing areas, including the loss of or failure to renew leases in private ownership; the terms of the lease or leases covering the State lands should be furnished, together with information as to the right of renewal and provisions in the State law for the sale thereof, with information as to the attending protection to the lessee for the remainder of the lease period or any renewal thereof.

### 25.1 - Exhibit 01--Continued

- (d) The S.C.S. shall, through its local office, indicate its receipt of the copy of the questionnaire and supply the lending agency with any pertinent information it decides may have a bearing upon the applicant's or District's status or any other feature pertaining to the provisions of the agreement between the Service and the District.

#### III. When loans are held by the bank and a production credit association on same ranch operating unit.

In any case, coming within the terms of this understanding from the viewpoint of both F.C.A. agencies, that is, where a production credit association holds a mortgage on the livestock or crops and a Federal land bank holds a mortgage on the real estate of the same party, the District will regard the two institutions as one agency, when necessary for the protection of the Federal interests and such interests will be safeguarded by it so long as either lending institution has any interest in the case.

#### IV. Term of contract between the S.C.S. and the District.

The term of lease with the District is limited to 10 years as a matter of convenience. While the Secretary has delegated to the Chief of the S.C.S. the authority to execute leases not exceeding 10 years, the S.C.S. assures the Farm Credit Administration that the grazing preference of a permittee, in so far as lands under its supervision are concerned, shall continue for the life of the loans (including renewals thereof and not exceeding 20 years in the case of a land bank or Commissioner loan except in the case of extensions, reamortizations, and acquirement of the property mortgaged) in the same manner as provided in the agreement with the District regardless of whether the particular District continues able to operate under the agreement.

#### V. Effect of acquirement by a lending agency of more than the maximum acreage or livestock permitted under one operation.

Since it is not the intention, purpose, or objective of the lending agencies to acquire land or livestock for the purpose of operation, it is understood that the acquirement of holdings incidental to the lending agency's principal function in excess of that permitted in an individual operating unit under S.C.S. policies shall not be regarded as a violation of the maximum limit restrictions for the District so long as it is temporarily held.

## 25.1 - Exhibit 01--Continued

### VI. Nonpayment of fees.

The District will advise the particular Federal land bank or production credit association concerned of any delinquency in the payment of grazing fees by the borrower. The lending agency will advise the District of the action it proposes to take in the matter.

### VII. Noncompliance with District's regulations.

When a permittee-borrower fails to comply with the regulations or otherwise violates the same and action is contemplated by the District looking toward the cancellation of his grazing permit, or other steps which may tend to affect his livestock operations, are proposed, the District will furnish the Federal land bank or production credit association with detailed information and suggest the corrective action necessary.

### VIII. Special provisions in the lending agency's mortgage.

The real estate or chattel mortgage shall contain adequate provisions to permit the lending agency to take the necessary legal or foreclosure action under its mortgage in the event of a nonpayment of fees or noncompliance with the regulations where it decides its interest may be impaired; and also that, in case the lending agency corrects the difficulty, either through a payment of the fees or otherwise adjusts the noncompliance of the permittee-borrower, a failure on the part of the lending agency to proceed under the provisions of its mortgage shall not be a bar to the exercise of the rights thereunder at a later date.

### IX. Acquirement of the livestock operation by the lending agency.

In the event the lending agency accepts deed or acquires ownership of the livestock operation, it is, of course, understood that such ownership is not for the purpose of operating but incidental to its principal lending function. When control of an operating unit passes from a permittee to the lending agency, the preference or proportionate part thereof which is based upon such property will immediately revert to the District or the Government, as the case may be, but will be held in trust for the lending agency for such temporary period as the property is operated directly by the lending agency. During such temporary period the grazing privileges which would ordinarily accrue to the preference holder will be allocated to the lending agency. When the lending agency makes disposition of the property by sale or lease, the preference formerly based thereon will be allocated the new operator (who may be the former owner), in so far as such allocation is consistent



### 25.1 - Exhibit 01--Continued

ith the application of the maximum limit policy, and provided he otherwise meets the requirements of a qualified applicant as defined by the S.C.S.

If the lending agency acquires only the livestock of a permittee operator, satisfactory agreement between the lending agency and the operator for the grazing of such livestock, temporarily pending disposition, under the permit of the operator shall not be considered a violation of the rules of the District or the Government, or jeopardize the preference status of the operator.

#### X. Disposition of acquired land.

Before the lending agency makes disposition of acquired land by sale or lease, it will secure the recommendations of the District, or the Soil Conservation Service if no District is involved, as to the best possible adjustment in land use and adjustment of established operating units in the area that can be effected by such disposition. In so far as practicable the lending agency will take into consideration such recommendations in disposing of any acquired land.

#### XI. Information regarding actual closing of the loan and pledging of grazing privileges.

It is understood that S.C.S. policies prohibit the transfer or assignment of a grazing preference or grazing permit by a permittee. It is agreed, however, that in all loan cases coming within the scope of this agreement, i.e., loan cases in which the lending agency takes into consideration the preferences of the applicants for grazing on S.C.S. or District controlled lands, each permittee-borrower shall execute a pledge to the effect that (1) he will take no action which would adversely affect his preference status or any permit issued thereunder without the consent of the lending agency and (2) in case of foreclosure by the lending agency he will waive all claims for preference or grazing privileges based upon the commensurate property foreclosed. Such a pledge will be retained by the lending agency with the loan papers. At the time of entering into a credit relationship with an applicant, the lending agency will advise the District (in duplicate, one copy going to the S.C.S.) when the loan is finally concluded to the permittee-borrower and of the execution of such pledge. Such pledge shall be noted on the District records and shall remain in force until the lending agency has notified the District of the termination of its interest therein.

#### XII. Title III lands managed by S.C.S. without reference to Districts.

It is agreed that, in so far as applicable, the above understanding, conditions, policies and procedures will apply in (1) grazing project areas where no cooperating

### 25.1 - Exhibit 01--Continued

District exists and S.C.S. makes allocations of use privileges direct to qualified applicants; and (2) project areas where some use privileges are made available by the S.C.S. direct to qualified applicants in addition to the privileges made available through a District under a grazing agreement. In such cases the necessary data regarding preferences which form the basis for direct allocations will be supplied by the S.C.S.

#### XIII. Application of agreement to existing loans.

It is agreed that the lending agency may, if it should so desire, have this agreement made applicable to any existing loans which it holds at the time this agreement becomes effective by filing the questionnaire and taking any other appropriate steps which are outline above.

#### Effective date.

This memorandum of understanding shall be effective when signed by both parties and shall continue in effect until terminated (but shall continue in effect thereafter as to loans then existing) by joint agreement of the parties or by either party giving 60 days' notice in writing to the other party. It may be amended at any time by joint agreement of the parties hereto.

Dated this 19th day of November 1943.\_\_\_\_\_

/s/ A. E. Jones

Soil Conservation Service

/s/ A. G. Black

For Farm Credit Administration

**25.1 - Exhibit 02**

**SUPPLEMENTAL AGREEMENT**

WHEREAS, the Farm Credit Administration and the Soil Conservation Service have executed a Memorandum of Understanding dated November 19, 1943, a copy of which is attached hereto, marked Exhibit "A" and by reference incorporated herein, and

WHEREAS, the objective of said Memorandum of Understanding is to enable certain of the lending agencies of the Farm Credit Administration to render greater credit service to livestockmen, as recited in the said Memorandum of Understanding, and

WHEREAS, it is the desire of the \_\_\_\_\_ Grazing Association that livestockmen who are members of the said Association or who have grazing privileges, benefits or permits on lands owned, leased or otherwise controlled by the Association shall be able to enjoy the benefits of such greater credit service.

NOW, THEREFORE, in consideration of the premises, the \_\_\_\_\_ Grazing Association, a corporation organized and existing under the laws of the State of \_\_\_\_\_ does hereby endorse and approve the said Memorandum of Understanding and does hereby promise and agree to perform and to be bound by the terms, conditions and provisions thereof to the same extent as it it had executed the same as one of the original parties thereto.

There is attached hereto and made a part of this agreement a copy of the agreements between the Soil Conservation Service and the Association mentioned in said Memorandum of Understanding as well as a copy of any agreements between the Bureau of Land Management and the Association and a copy of the regulations and bylaws of the Association.

It is understood and agreed that the credit agency, for and on behalf of whom the Farm Credit Administration acted in execution of the said Memorandum of Understanding and who will receive benefits of and bound by the terms thereof in transactions with this association thereunder is the Federal Land Bank of \_\_\_\_\_ a corporation.

**25.1 - Exhibit 02--Continued**

IN WITNESS WHEREOF, said corporation has caused its corporate name to be hereunto subscribed by its proper, duly authorized officers.

Date \_\_\_\_\_ GRAZING ASSOCIATION

by \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

I concur in the above supplement agreement.

Date \_\_\_\_\_

\_\_\_\_\_  
Forest Supervisor

\_\_\_\_\_  
National Forest  
Forest Service - USDA

## **25.2 - Memorandum of Understanding Between Farmers Home Administration and Forest Service**

The Farmers Home Administration (FmHA) and the Forest Service entered into the following memorandum of understanding on March 22, 1966, (exhibit 01) to facilitate cooperation involving rural groups of grazing users forming a nonprofit grazing association under FmHA programs. The memorandum sets forth respective procedures to be followed when a rural group, which may operate on Forest Service administered land, applies for financial assistance from FmHA. Procedures outlined in the memorandum of understanding are concerned with the preorganization and postorganization aspects of the undertaking. Applicable portions shall be followed when a group is already organized. The escrow arrangement set forth by the memorandum shall be used when a grazing agreement already exists and both FmHA and the association request such an arrangement.

## 25.2 - Exhibit 01

### FHA-FS MEMORANDUM OF UNDERSTANDING

#### MEMORANDUM OF UNDERSTANDING

Between

FARMERS HOME ADMINISTRATION and FOREST SERVICE

Grazing Associations

Operating on

FOREST SERVICE-Administered Lands

I. PURPOSE: The purpose of this memorandum is to achieve the mutual objectives of the Forest Service (FS) and the Farmers Home Administration (FHA) by coordinating general agency responsibilities and functions and promoting maximum cooperation in carrying out agency programs of FHA and FS when a grazing association operating on FS-administered lands is receiving financial assistance from FHA.

#### II. AGENCY RESPONSIBILITIES:

A. FHA has the responsibility for making loans to groups of farmers and ranchers for shifts in land use including the purchase and development of grazing lands.

B. FS is responsible for administration of the National Forests, National Grasslands, and other lands under its control, hereinafter referred to as a FS-administered lands. FS may make these lands available to qualified nonprofit organizations of farmers and ranchers for grazing purposes.

#### III. PROCEDURES:

A. Upon receipt of a loan application from a rural group that may operate on FS-administered lands, the FHA County Supervisor will notify the local Forest Supervisor and inquire into the availability of FS-administered lands. The Forest Supervisor will furnish the FHA County Supervisor information on: (1) the status of any grazing permit or grazing agreement, (2) an estimate of the grazing capacity of lands involved, (3) any other information which might affect the transaction, and (4) any circumstances which might prevent the Forest Service from entering into a grazing agreement with the proposed association.

B. FS and FHA will jointly assist the association in effecting its organization, developing its articles of incorporation and bylaws, using guides provided by FS and FHA, and in formulating rules of management including shifts in land use for all lands controlled by the association.

## 25.2 - Exhibit 01--Continued

The rules of management will be in accordance with policies of all Federal, State, county, and other appropriate agencies involved and with the needs and operations of the associations.

C. FS representatives, working with representatives of other agencies as any be involved, will furnish such technical assistance as is necessary and available for planning and carrying out conservation and range management operations on all lands controlled by the association, including privately-owned lands.

D. Grazing agreements make FS-administered lands available for grazing purposes. They are approved for the exclusive use and benefit of the association. Grazing agreements are not property rights. They do, however, entitle the association to use the lands for grazing purposes during the period covered by the agreement, and to first priority for renewal at the end of term period. FS may enter into a grazing agreement with a grazing association financed by FHA when:

1. The articles of incorporation and bylaws are compatible with the grazing regulations of the Secretary of Agriculture and instructions of FS.

2. FS has determined that the association is competent and qualified to manage grazing on FS-administered lands.

3. The association purchases the base property of a permittee with a term permit to graze livestock on FS-administered lands or otherwise qualifies for grazing privileges on FS-administered lands.

E. When requested by FHA and the association, FS will hold the grazing privileges contained in a grazing agreement in escrow for security purposes. Under this arrangement the association surrenders its grazing privileges to the Forest Service but may continue to graze livestock, pending satisfaction of a mortgage. Until the mortgage is satisfied, no waiver of grazing privileges subsequently presented by the association will be recognized by FS without the written approval of FHA.

F. If for any reason it should become necessary to discontinue in whole or in part the grazing privileges contained in the grazing agreement of an association borrower, FS will give written notice to this association and to FHA. The reasons for the adjustment may include noncompliance with the regulations or terms of the grazing agreement, need for resource protection and to allow for a higher public land use. The matter will be discussed with FHA and at least one year will be allowed for possible adjustment before the grazing agreement is modified or terminated.

25.2 - Exhibit 01--Continued

G. If it becomes necessary for FHA to liquidate a loan in connection with which grazing privileges have been surrendered to FS through an escrow waiver, the privileges will immediately revert to FS and will be held for FHA for such period as the property is being operated under temporary arrangement approved by FS and FHA. Upon disposition of the property by FHA, the grazing privileges formerly included in the grazing agreement will be allowed a new grazing association borrower or other parties insofar as the association or other parties meet the qualification requirements of both FHA and FS.

H. Questions pertaining to the handling of grazing associations borrower cases not specifically provided for in this agreement will be governed by the regulations and instructions set forth in the FS manual, FHA Instructions, and by currently approved policies.

IV. EFFECTIVE DATE: This Memorandum of Understanding shall be effective when signed by both parties and shall continue in effect until terminated (but shall continue in effect thereafter as to loans then existing) by joint agreement of the parties or by either party giving 60 days' notice in writing to the other party.

V. AMENDMENTS: FS and FHA agree that amendments to this Memorandum of Understanding may be proposed by either party and will become effective upon approval of both parties.

/s/ Howard Bertsch  
Administrator  
Farmers Home Administration

/s/ Edward P. Cliff  
Chief  
Forest Service

March 10, 1966  
Date

March 22, 1966  
Date