

Example

1. The lease period is from Jan. 1 to Dec. 31.
2. The base annual rental is \$30,000.
3. One-half of the base rental payment (\$15,000) is due on Jan. 1 and the remainder on Dec. 31.
4. The base market price is \$55 per cwt. (live.).
5. The cash live market at a local buying station on the 15th and 30th of each month is used to derive the monthly market prices.

Assume the average market price during the year is \$58.67 per cwt. (live).

- The first rent payment is \$15,000 ($\$30,000 / 2 = \$15,000$)
- The rent adjustment factor is 1.067 ($\$58.67 / \$55 = 1.067$)
- Total rent is \$32,010 ($\$30,000 \times 1.067 = \$32,010$).
- The ending rent payment is \$17,040 ($\$32,010 - \$15,000 = \$17,010$)
- The pigs marketed per year is 3,018 ($2.8 \text{ turns} \times 1,100 \text{ head} \times .98 \text{ (2\% death loss)} = 3,018$)
- The rent per pig marketed is \$10.61 ($\$32,010 \text{ rent} / 3,018 \text{ head} = \10.61)

Assume the actual average market price is \$45.60 per cwt.

- The first rent payment is \$15,000 ($\$30,000 / 2 = \$15,000$)
- The rent adjustment factor is .829 ($\$45.60 / \$55 = .829$)
- Total rent is \$24,870 ($\$30,000 \times .829 = \$24,870$)
- The ending rent payment is \$9,870 ($\$24,870 - \$15,000 = \$9,870$)
- The pigs marketed per year is 3,018 ($2.8 \text{ turns} \times 1,100 \text{ head} \times .98 \text{ (2\% death loss)} = 3,018$)
- The rent per pig marketed is \$8.24 ($\$24,870 \text{ rent} / 3,018 \text{ head} = \8.24)

Summary

This method of renting swine facilities requires great attention to market prices as well as coordination and communication between the rental parties. But it offers a fair and equitable arrangement to both parties in times of highly volatile market hog prices.

. . . and justice for all

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Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.