



**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 of the adjusted rent is due on Dec. 31.
4. The base market price is \$65 per cwt. (liveweight).
5. The cash market at a local hog buyer on the 15th and 30th of each month is used to derive the monthly market prices. Carcass weight prices are adjusted to liveweight.

**Assume the average market price during the year is \$98.68 per cwt. (carcass).**

- The first rent payment is \$15,000 ( $\$30,000 / 2 = \$15,000$ )
- The average liveweight price is \$75.00 ( $\$98.68 \times 0.76 = \$75$ )
- The rent adjustment factor is 1.154 ( $\$75 / \$65 = 1.154$ )
- Total rent is \$34,620 ( $\$30,000 \times 1.154 = \$34,620$ ).
- The ending rent payment is \$19,620 ( $\$34,620 - \$15,000 = \$19,620$ )
- The pigs marketed per year is 2,607 (2.8 turns  $\times$  950 head  $\times$  .98 (2% death loss) = 2,607)
- The rent per pig marketed is \$13.28 ( $\$34,620 \text{ rent} / 2,607 \text{ head} = \$13.28$ )

**Assume the actual average live market price is \$55.60 per cwt.**

- The first rent payment is \$15,000 ( $\$30,000 / 2 = \$15,000$ )
- The rent adjustment factor is .855 ( $\$55.60 / \$65 = .855$ )
- Total rent is \$25,650 ( $\$30,000 \times .855 = \$25,650$ )
- The ending rent payment is \$10,650 ( $\$25,650 - \$15,000 = \$10,650$ )
- The pigs marketed per year is 2,607 (2.8 turns  $\times$  950 head  $\times$  .98 (2% death loss) = 2,607)
- The rent per pig marketed is \$9.84 ( $\$25,650 \text{ rent} / 2,607 \text{ head} = \$9.84$ )

**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.

Similar agreements can be negotiated for farrowing or swine nursery buildings.

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... and justice for all

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