**LIVESTOCK BUILDING RENTAL**

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Livestock building rental questions are generally framed something like: “Can you tell me how much I should charge to rent my livestock building? What is a fair amount?” These are difficult questions to answer because there is not just a single figure or amount that is right or correct across rental situations. A figure can be arrived at, but it may only serve as a starting point in negotiation between the building owner and the potential building renter and it can only be arrived at with a little work on the part of the building owner and potential renter.

A best case scenario involving the least amount of work and pencil pushing by the building owner and prospective renter is that there is a reliable, current “going rate” established for various types of livestock buildings. In order for this situation to exist there has be some number of buildings that are being rented in the area and a demand for renting buildings. What is that number? If you hear of one livestock building owner getting such and such a rate for his building is that enough to set a going rate? What if there are 5 or 6 buildings that were rented in the past year in the area and you knew those rental values? The more livestock buildings that have been rented in the recent past, the more confidence you might have in those numbers as a going rate. Unfortunately I don’t see a lot of market activity for livestock building rental and it is hard to get a going rate that is useful for the occasional livestock building rental question that I receive.

The North Central Farm Management Extension Committee recently completed a survey of farm operators, farm owners, professional farm managers and rural appraisers in the north central region of the U.S. asking about farm building rental. Barry Ward, OSU Extension Ag Production Leader, provided me with a summary of those survey results. Overall, the lowest response rate was for information about livestock building rental. Anywhere from 3 to 16 responses came back depending upon the type of livestock facility. The response rate was much better for machinery storage and grain storage buildings/facilities. From the survey I can see that if someone wants to rent a small (200-300 head) beef finishing facility consisting of an open lot and shed, the average survey response indicated an average rental rate of $0.12/head/day. A dairy heifer housing building with no labor or feed provided had an average rental of $0.31/head/day. A 1000 plus swine finishing facility had an average rental charge of $12.93/finished hog. The usefulness of this type of survey is to provide a starting place to look at rental rates.

The livestock building owner must know his/her costs to begin to determine a building rental rate or to use survey numbers. Those ownership costs include fixed and variable costs. Fixed costs are those that are incurred regardless of whether or not the building is actually being used. Those fixed costs include: depreciation, interest, repairs, taxes and insurance. Variable costs are those costs that are associated with the use of the building and generally increase as the building is used. Variable costs include such expenses as: water, electricity, and repairs/maintenance associated with building use.

If the choice is between rental and letting the building sit empty and idle, then the building owner should be motivated to rent when variable costs are covered plus at least some additional income towards paying some of the fixed costs. As rental demand for the building increases, more of the fixed costs should be included in the rental rate. At a high demand level, all of the variable and fixed costs may be covered in the rental rate.

The potential renter must know what renting the livestock building means to his/her operation in terms of added value. That added value can be in terms of added income as a result of using the building, reduced production costs, or a combination of both. The potential renter then needs to subtract from that added value any added costs that would be incurred as a result of renting, for example, travel and time to and from the rented facilities.

When both the livestock building owner and the potential renter are looking at the facility they need to consider the age and adequacy of the facility. Is the facility appropriately sited for today’s environmental concerns and regulations? Is the facility design and stall size adequate for the livestock that will be put into the building? Is the building outdated for some livestock enterprises? Rental rates are lowered with outdated buildings and inadequate facilities.

Other pertinent questions include: what is the owner covering in regard to building costs and what is the renter expected to cover. In the north central farm building survey that I mentioned earlier, it was assumed that building renters would provide the labor and management associated with the building rental and the resulting livestock enterprise and in addition would cover the utility costs as well as any minor upkeep/maintenance expenses. Building owners were expected to cover major repairs and insurance coverage.

Just as in land rental situations, there are other intangible factors that should be considered when renting a livestock facility. What is the relationship between the building owner and renter? Do their personalities mesh? Can they get along and have a cordial relationship? Do their philosophies about building care and maintenance match? Is the renter going to provide some other services such as mowing around the buildings, hauling trash away, keeping snowed plowed etc. that maintains a good appearance and is of some intrinsic value to the owner?

There are some good resources available that can be used to help answer the livestock building rental question, but it will take some work and pencil pushing by the building owner and/or potential renter. Resources that I have found to be useful include:

* Rental Agreements for Farm Buildings and Livestock Facilities, publication NCFMEC-04, available at the Ag Lease 101 web site: <http://www.aglease101.org/>
* Farm Building Leases by Dumler and Dhuyvetter of Kansas State and available on line at: <http://www.agmanager.info/farmmgt/land/lease/papers/Building_Leases.asp>
* The Kansas State University building rent spreadsheet available on line at: <http://www.agmanager.info/Tools/default.asp> , scroll down to the building cost rent title
* Figuring Rent for Existing Farm Buildings by Pershing and Atkinson of Purdue University. This is an older publication but contains very good information and worksheets when you look past the actual dollar figures used. It is available on line at: <http://tiny.cc/farmbldgrentatlPurdue>

Finally, any livestock building rental agreement should be put in writing. Responsibilities and expectations of both the owner and the renter should be included in the written agreement. Expenses that will be covered by each party should be clearly spelled out. Conditions for renewal and termination of the agreement should be included. Sample lease agreements can be found at the ag lease 101 web site.