

INTRODUCTION

This Rental and Custom Rate Guide has been prepared by Manitoba Agriculture, Food, and Rural Initiatives to provide information on farm machinery costs, and rental and custom rates for users and owners of farm equipment. The costs and rates are based on average conditions existing in Manitoba in early 2008. The components of each of the rates are shown, so that they can be easily altered in case individual situations differ from those assumed.

These rates are provided as a guideline and should be interpreted and adjusted if necessary for individual situations.

The following conditions and assumptions were used in this guide:

NEW COST OF EQUIPMENT - based on the most recent published list prices less 15% for machines over \$100,000; list price less 13.5% for other equipment. Freight costs are assumed to be 1% of new cost for tractors, 1.5% for combines and forage equipment, and 2% for tillage and seeding equipment.

Average sizes shown are based on the above prices. In many cases there is a wide variation in prices for a given size of machine. For example, air seeders may vary plus or minus 30% from the average, depending on the options selected. Where the actual cost of your machine is different for the size shown, the actual cost should be used to determine the appropriate rate.

ANNUAL HOURS OF USE - as shown on each chart.

INTEREST RATE - 4% per annum. This is the investment interest rate. It represents the opportunity cost of owning the equipment.

DEPRECIATION RATES - declining balance method; details given in appendix.

FIXED COSTS - total of interest and depreciation costs, plus 1% of new cost per annum for insurance and housing. Based on the average costs over the life of the machine.

REPAIRS AND MAINTENANCE - based on surveys by American Society of Agricultural Engineers and Manitoba Agriculture, Food, and Rural Initiatives and adjusted for Manitoba Farm Machinery Act warranties where applicable. Includes filters, oil changes, grease, and normal maintenance costs, including labour. Based on the average costs over the life of the machine.

MARGIN (MARKUP) - 15% of (total fixed costs plus repairs and maintenance).

RENTAL RATE - total of fixed costs, repairs and maintenance, and margin.

FUEL COST - based on average fuel consumption from Nebraska Tractor Tests (tractors) and PAMI tests (other self-propelled equipment). A diesel fuel price of \$1.00/L and a gasoline price of \$1.05/L is assumed for 2007.

LABOUR COST - as shown on each chart.

CUSTOM RATE - total of rental rate, fuel cost and labour cost.

NOTE: All above costs are based on the averages over the life of the machine - assumed to be 15 years. The rental and custom rates shown are therefore low for machines less than 6 years old and high for machines older than 7 years.