

2024 RENTAL RATES

This one will hurt a bit but not as much as we first thought. The rental rate formula is predicting a significant increase in rental rates but the government is bringing some alleviation.

The rental rate formula is a Weighted Average Capital Cost calculation; meaning that it is based on the cost of production and the potential of the leaseholder to be profitable. With record fall calf prices, the increase in rental rates was expected to be nearly double what the 2023 rates were. The formula, introduced in 2018, is working through a five-year phase-in and this year was going to be full implementation of the formula, which we would expect to bring a slight increase in rental rates as well.

Despite 2023 cattle markets being very strong, with the value of fall yearlings being \$700 per head higher than in 2022, the department recognizes that producers are faced with challenges from the past year. Due to ongoing drought conditions, wildfire impacts and a rapid increase in feed costs not immediately captured in the 'cost of production' section of the rental rate framework, the minister has signed off on an order to postpone full implementation until 2025.

The grazing rental rates for 2024 are:

Zone 1 (South Zone) - \$7.63 per Animal Unit Month (AUM)

Zone 2 (North Zone) - \$ 4.99 per Animal Unit Month (AUM)

**** The differences in AUM charges between the north and south reflect the cost of production differences between these zones.**

The 2024 rental rates represent 90% of what the rental rates should have been with full implementation of the rental rate formula. If we had gone ahead with full implementation of the rental rate formula, the rates would have been \$8.22/AUM in the south zone and \$5.40/AUM in the north.

There are three dynamic inputs that are updated each year for the calculation of rental rate: the April steer price for 650 lb animals, the September steer price for 850lb animals and the Consumer Price Index (CPI) for the first 8 months of the year to adjust for inflation. We recognize most people are not grazing steers on their lease, however, when developing the calculation, industry and government agreed that this price index would be an appropriate trend indicator to use.

The calculation does account for the costs associated with running a Crown land lease and we get those costs through the Lease Cost Survey. The last survey was done in 2022 so we are working on fairly recent cost analysis. The results of that survey showed that the cost increases to run a lease are quite similar to the consumer price index. We rely on leaseholders to fill out the survey to get accurate cost data. The next lease cost survey is scheduled for 2032.

For comparison, the rental rate in Saskatchewan is \$8.18 per AUM and Manitoba is \$7.26 per AUM.