



PLANNING FOR PROFIT



BRITISH
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20 Ewes - Vancouver Island Direct Marketed Lamb

This information is a tool to project costs and returns for B.C. farm enterprises and is a general guide to plan individual farm operations.

The sample budget should be used as a guide only and should not be used for business analysis. Each farm should develop their own budget to reflect their production goals, costs and market prices.

Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://www.FBMINet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

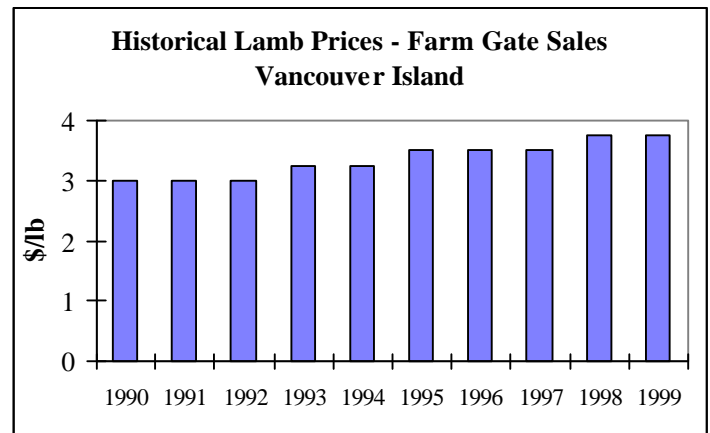
Market Factors

This factsheet is prepared for a 20 ewe enterprise where all lambs are marketed at the farm gate as private freezer lamb sales. While returns are higher for direct marketed lamb than conventional markets, the producer undertakes an additional function which is selling.

Returns are largely dependent on individual marketing ability and location. Farms involved in direct marketing need to understand their markets and their customers' preferences, for example carcass cuts, weights and portion packaging.

Key Success Factors

- Farm gate marketing ability
- Lambs weaned per ewe
- Minimizing feed costs
- Use of multi-pasture rotational grazing



Risk Factors & Strategies

Individual operators must address the following risk factors:

- Market risk is a function of how much time the producer is willing to invest in direct marketing the end product. Conventional markets are relatively lower risk but also lower price.
- Disease and parasites—a good preventative health and parasite control program is required, including careful selection of replacement stock (purchased from a flock with known health standards).
- Pre-weaning lamb mortality—good lambing management is essential to ensure lambs are attended to at birth, ensuring lamb vigor and adequate milk availability. Attendance during lambing is especially important with prolific flocks
- Losses to predators—predators, especially dogs, can be a concern for sheep operations, especially those that lamb on pasture. Predator problems can be minimized with good livestock husbandry, well-trained guard dogs and perimeter sheep fencing.

Assumptions

The sample enterprise budget provided should be viewed as a first approximation only. Use the column “Your Estimate” to add, delete and adjust items to reflect your specific production situation. The figures provided are estimates based on above average production and farm management practices in the area and were developed in consultation with sheep producers and BCMAFF commodity specialists. The following assumptions are made regarding production practices, costs and revenues:

	<u>Number</u>	<u>As a % of Ewe Flock</u>	<u>Your Estimate</u>
• Ewes	20	-	.....
• Cull Ewes	1	7%	.....
• Ewe Death Loss	1	3%	.....
• Lambs Born	43	215%	.....
• Pre-weaning Lamb Mortalities	1	5%	.....
• Lambs Weaned	42	210%	.....
• Replacement Ewe Lambs	2	10%	.....
• Lambs available for sale	40	200%	.....
• A ram is rented for 50 days to breed the ewes.			
• Animals are rotationally grazed on 5 irrigated acres.			
• Hay is purchased at \$5 per bale. Grain is purchased in bags. Bedding is freely available.			
• Lambing occurs in March and is attended to by the producer to ensure that lambs get a good start.			
• A target weaning percentage of 210% is assumed.			
• Lambs are direct marketed in late summer at an average carcass weight of 50 lbs and a target price of \$3.75/lb.			
• The breeding herd is pasture fed from spring to mid-fall. Fall and winter feed program includes:			
– Hay - 3.3 lbs per day for 150 days			
– Grain - 1 lb for 60 days pre- and post-breeding; 1.5 lbs for 60 days pre-lambing; and 2.5 lbs per day for 60 days while lactating.			
• The rental ram is fed 4 lbs of hay per day for 50 days.			
• Lambs are fed an average of 1.5 lbs of grain for 110 days.			
• It is assumed that all triplets are successfully fostered and milk replacer is therefore not required.			
• Pasture maintenance costs are estimated at \$35/acre and include fertilizer and lime.			
• Repair and maintenance costs are approximated at 3% of building and equipment replacement value.			
• Fuel, oil and lube costs are associated with transporting lambs to slaughter facilities twice.			
• Equipment rental is associated with pasture maintenance (e.g., tractor, harrow bar and fertilizer spreader).			

Sensitivity Analysis—Projected Income

The profitability of a sheep operation will be strongly influenced by market prices and lambs weaned per ewe. The tables below list changes to income as weaning rates and prices per pound vary. Weaning percentage and price ranges are based on actual rates achieved by Vancouver Island producers. Variances are primarily the result of different management practices, breeds, marketing skills and experience.

<u>Weaning Percentage</u>		<u>Income*</u>	<u>Price \$/lb</u>		<u>Income*</u>
Low	185%	7249	Low	3.25	7180
Average	195%	7661	Average	3.5	7730
Target	210%	8280	Target	3.75	8280
High	225%	8899	High	4	8830
Exceptional	235%	9311	Exceptional	4.25	9380

*Price \$3.75/lb

*Weaning 210%

Sample Enterprise Budget and Worksheet 20 Ewes (Direct Market Lamb)—Vancouver Island

Projected Income

	Head	Average Weight	Units	Price \$/Unit	Total	Your Estimate
Wethers	21	55 lb	lb	3.75	4331	.....
Ewe Lambs	19	55 lb	lb	3.75	3919	.....
Cull Ewes	1		head	30	30	.....
Total Projected Income					8280	.....

Projected Direct Expenses

	Head	Quantity	Units	Cost /Unit	Total	Your Estimate
<u>Feed and Supplements</u>						
Hay - Ewes	20	495	lb	0.10	990	.....
Hay - Ram (Rental)	1	200	lb	0.10	20	.....
Grain - Ewes	20	300	lb	0.16	960	.....
Grain - Lambs	42	165	lb	0.16	1107	.....
Milk Replacer - Lambs					0	.....
Minerals & Salt					50	.....
Dog Food					0	.....
Irrigation		5	acres	20	100	.....
Pasture Maintenance		5	acres	35	175	.....
<u>Livestock Supplies and Services</u>						
Ram rental fee	1		head	100	100	.....
Shearing	21		head	3.5	74	.....
Vet & Medicine	21		head	3.5	74	.....
Vet & Medicine - Lambs	42		head	1.75	73	.....
Bedding					0	.....
<u>Other</u>						
Slaughter, Cut & Wrap	40		head	35	1394	.....
Repairs and Maintenance					1112	.....
Fuel, Oil and Lube					300	.....
Equipment Rental					150	.....
Total Projected Direct Expenses					6678	.....

Calculation of Projected Net Income

Projected Income	.....
Less Projected Direct Expenses	-
= Projected Contribution Margin	=
Less Projected Indirect Expenses	
Depreciation (e.g., buildings and equipment)	-
Interest	-
Other Indirect Expenses (e.g., operator labour)	-
= Projected Net Income	.....

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
% Income								25	50	25		
% Dir Exp	5	8	11	4	6	9	9	12	11	13	7	5

The above table indicates the timing of monthly flow of income and direct expenses, as a percentage of total income and direct expenses. A complete Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses.

Labour Requirements

Estimated Annual Labour Requirements (Hours):

Feeding and grazing	365
Cleaning and repair	156
Health	13
Lambing	100
Management	30
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Total Hours / Year (20 ewe flock)	664
Hours/Ewe/Year	16.6

Herd, Buildings and Machinery Replacement Cost

The figures below provide an estimate, based on replacement cost, of the capital investment required to get involved in a 20 ewe enterprise. Some of these items are likely to be used in more than one enterprise—as a result the costs should be allocated among the different uses accordingly.

Ewes (20 @ \$150 each)	\$ 3,000
Buildings (barn with pens)	30,000
Fencing (perimeter and divisional)	2,300
Husbandry and Vet Equipment	1,000
Scale and Freezers	750
Farm share of truck	3,000
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Total Replacement Cost	\$ 40,050

Alternative Production Practices

An alternative to renting a ram a ram for breeding is to own one. When owning a ram:

- Feed costs are increased to approximately \$60 (4 lbs hay for 160 days);
- Increased time and effort is required to manage the herd;
- Separate facilities are needed to keep the ram separate from the flock during non-breeding periods.

If storage facilities are available, feed costs can be lowered by purchasing grain and hay in bulk.

References

- Nutrition Guide for B.C. Sheep Producers, BCMAFF, 1985.
- B.C. Agricultural Fencing Handbook, BCMAFF, 1996
- Farm Business Management Information Network website at <http://www.FBMInet.ca/bc>.

Contacts

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