



# PLANNING FOR PROFIT



BRITISH  
COLUMBIA

Ministry of Agriculture,  
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## 40 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.

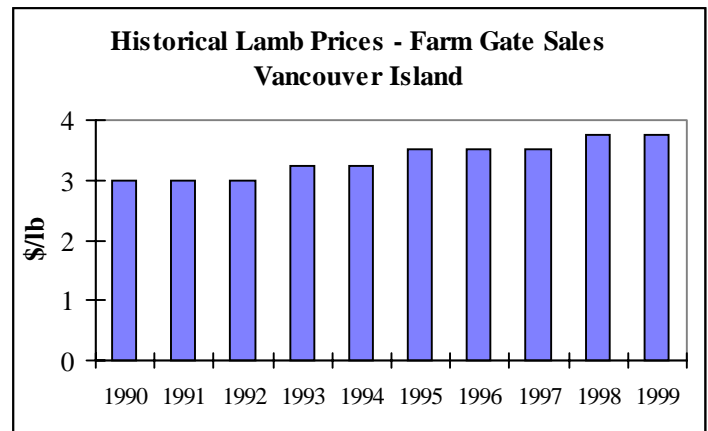
### Market Factors

This factsheet is prepared for a 40 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 Farm</u>
• Ewes	40	-	.....
• Cull Ewes	3	7%	.....
• Ewe Death Loss	1	3%	.....
• Lambs Born	86	215%	.....
• Pre-weaning Lamb Mortalities	2	5%	.....
• Lambs Weaned	84	210%	.....
• Replacement Ewe Lambs	4	10%	.....
• Lambs available for sale	80	200%	.....
• A ram is rented for 50 days to breed the ewes.			
• Animals are rotationally grazed on 10 irrigated acres.			
• Hay is custom cut from 3.5 acres producing 100 bales/acre and is used to feed flock. Remaining hay and grain requirements are purchased in bulk. 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.			
• 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.			
• One bag of milk replacer is used and it is assumed all triplets are successfully fostered.			
• 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 pasture operations as well as transporting lambs to and from slaughter facilities three times.			

## 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 differing management, marketing skills and experience.

Weaning Percentage		Income*
Low	185%	14995
Average	195%	15745
<b>Target</b>	<b>210%</b>	<b>16870</b>
High	215%	17815
Exceptional	225%	19690

\*Price \$3.75/lb

Price \$/lb		Income*
Low	3.25	14866
Average	3.5	15868
<b>Target</b>	<b>3.75</b>	<b>16870</b>
High	4	17872
Exceptional	4.25	18874

\*Weaning 210%

## Sample Enterprise Budget and Worksheet 40 Ewes (Direct Market Lamb)—Vancouver Island

Projected Income	Average		Units	Price	Total	Your Estimate
	Head	Weight		\$/Unit		
Wethers	42	52	lb	3.75	8190	.....
Ewe Lambs	38	48	lb	3.75	6840	.....
Cull Ewes	3		head	30	90	.....
Hay	350		bales	5	1750	.....
<b>Total Projected Income</b>					<b>16870</b>	.....

Projected Direct Expenses	Head	Quantity	Units	Cost/Unit	Total	Your Estimate
<u>Feed and Supplements</u>						
Hay - Ewes	40	495	lb	0.10	1980	.....
Hay - Ram (rental)	1	200	lb	0.10	20	.....
Grain - Ewes	40	300	lb	0.11	1320	.....
Grain - Lambs	84	165	lb	0.11	1525	.....
Milk Replacer - Lambs		1	bag	30	30	.....
Minerals & Salt					100	.....
Dog Food					0	.....
Irrigation		10	acres	20	200	.....
Pasture Maintenance		10	acres	35	350	.....
Custom Work (Haying)		350	bales	1.75	613	.....
<u>Livestock Supplies and Services</u>						
Ram rental fee	1		head	100	100	.....
Shearing	40		head	3	120	.....
Vet & Medicine	40		head	3.5	140	.....
Vet & Medicine - Lambs	84		head	1.75	147	.....
Bedding					0	.....
<u>Other</u>						
Slaughter, Cut & Wrap	80		head	35	2800	.....
Repairs and Maintenance					1802	.....
Fuel, Oil and Lube					500	.....
<b>Total Projected Direct Expenses</b>					<b>11746</b>	.....

### Calculation of Projected Net Income

To assess the net income of an enterprise, **indirect expenses** must be subtracted from income. Indirect expenses do not vary with the level of output and are typically associated with inputs used in more than one enterprise and must be allocated appropriately (prorated) between uses.

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

## 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 information indicates the timing of monthly flow of 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	208
Health	17
Lambing	120
Management	40
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Total Hours / Year (40 ewe flock)	750
Hours/Ewe/Year	18.75

## 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 40 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 (40 @ \$150 each)	6,000
Buildings (barn with pens)	40,000
Fencing (perimeter & electrical divisions)	3,300
Husbandry Equipment	1,000
Marketing equipment (scale and freezers)	750
Irrigation system	4,000
Tractor w. front end loader (used)	6,000
Farm share of truck	5,000
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Total	66,050

## 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.

## 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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