



PLANNING FOR PROFIT



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80 Ewes - Lower Mainland

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.

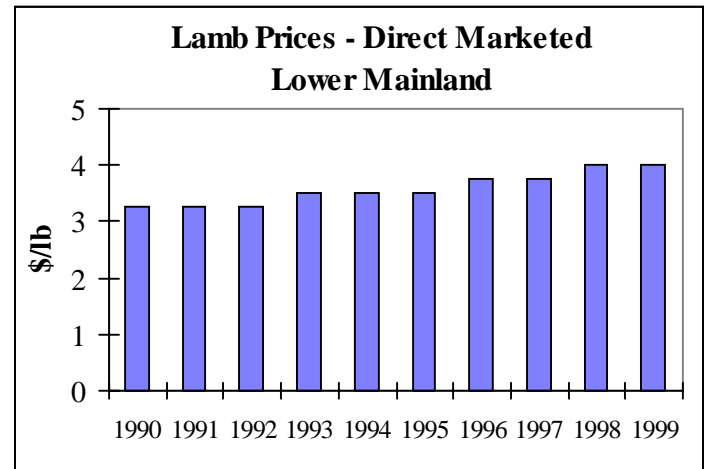
Market Factors

This factsheet is prepared for an 80 ewe enterprise which sells lambs at the farm gate (as private freezer lamb sales) and to conventional markets, such as auctions, abattoirs, packers and slaughter houses.

While returns are higher for farm gate sales 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 coyotes) 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	80	-	.....
• Rams	4	5%	.....
• Cull Ewes	6	7%	.....
• Ewe Death Loss	2	3%	.....
• Lambs Born	172	215%	.....
• Pre-weaning Lamb Mortalities	8	10%	.....
• Lambs Weaned	164	205%	.....
• Replacement Ewe Lambs	8	10%	.....
• Lambs available for sale	156	195%	.....
• Animals are rotationally grazed on 20 irrigated acres.			
• Hay and Grain 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 205% is assumed.			
• 60% of lambs available for sale are sold at the farm gate as private freezer lamb sales with an average carcass weight of 50 lbs and a target price of \$4/lb. Remaining lambs are sold live into the conventional market (e.g., through an auction or directly to a slaughter/packer facility) at an average price of \$100/head.			
• 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.			
• Rams are fed 4 lbs of hay per day for 160 days.			
• Lambs are fed an average of 1.5 lbs of grain for 110 days.			
• Dog food costs are for two herding dogs. No guard dogs are assumed.			
• Three bags of milk replacer are used and it is assumed triplets are successfully fostered.			
• Pasture maintenance costs are estimated at \$30/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 four delivery trips to and from slaughter and marketing facilities.			

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 the prices of private freezer lamb sales vary. Weaning percentage and price ranges are based on actual rates achieved by Fraser Valley producers. Variances are primarily the result of different management practices, breeds, marketing skills and experience.

<u>Weaning Percentage</u>		<u>Income*</u>	<u>Freezer Lamb Price \$/lb</u>		<u>Income*</u>
Low	175%	21446	Low	3.5	22796
Average	190%	23146	Average	3.75	23971
Target	205%	25146	Target	4	25146
High	215%	26246	High	4.25	26321
Exceptional	225%	27546	Exceptional	4.5	27496

*Freezer Lamb Price \$4/lb;

Live Lamb Price \$100/head

*Weaning 205%

Sample Enterprise Budget and Worksheet 80 Ewes — Lower Fraser Valley

Projected Income		Quantity	Units	Price \$/Unit	Total	Your Estimate
Lambs - Direct Marketed		94	head	200	18800	.....
Lambs - Wholesale Market		62	head	100	6200	.....
Cull Ewes		6	head	30	180	.....
Cull Ram		1	head	60	60	.....
Wool Sales		588	lbs	0.35	206	.....
Ram Purchase		1	head	300	-300	.....
Total Projected Income					25146	.....

Projected Direct Expenses	Head	Quantity	Units	Cost/Unit	Total	Your Estimate
<u>Feed and Supplements</u>						
Hay - Ewes	80	495	lb	0.09	3564	.....
Hay - Ram	4	640	lb	0.09	230	.....
Grain - Ewes	80	300	lb	0.10	2400	.....
Grain - Lambs	164	165	lb	0.10	2706	.....
Milk Replacer - Lambs		3	bag	30	90	.....
Minerals & Salt					200	.....
Dog Food					439	.....
Irrigation		20	acres	20	400	.....
Pasture Maintenance		20	acres	30	600	.....
<u>Livestock Supplies and Services</u>						
Shearing	84		head	4.25	357	.....
Vet & Medicine	84		head	4	336	.....
Vet & Medicine - Lambs	164		head	2.25	369	.....
Bedding					0	.....
<u>Other</u>						
Slaughter, Cut & Wrap	94		head	50	4700	.....
Repairs and Maintenance					2378	.....
Fuel, Oil and Lube					584	.....
Total Projected Direct Expenses					19353	.....

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.

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 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	260
Health	26
Lambing	140
Management	40
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Total Hours / Year (80 ewe flock)	831
Hours/Ewe/Year	20.78

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 80 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 and Rams	13,200
Buildings (barn with pens)	50,000
Fencing (perimeter & electrical divisions)	5,000
Husbandry Equipment	1,500
Marketing equipment (scale and freezers)	750
Irrigation system	6,000
Tractor w. front end loader (used)	6,000
Farm share of truck	10,000
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Total	92,450

Alternative Production Practices

Renting a ram for breeding is an alternative to owning rams. Renting a ram:

- Reduces feed costs (4 lbs hay for 50 days as opposed to 160 days)
- Requires less time and effort to manage the herd
- Minimizes the need for separate facilities to keep rams away from 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

- Lower Mainland Sheep Producers' Association
P.O. Box 807, Aldergrove B.C. V4W 1G7
- Basil Bactawar, P.Ag., M.Sc., Livestock Industry Development Specialist, BCMAFF Abbotsford (604) 556-3081
- Dan Ireland P.Ag., Commodity Specialist, Specialized Livestock / Small Lot Agriculture, BCMAFF Victoria (250) 356-1672

The following people and organizations contributed to the preparation of this factsheet:

- Basil Bactawar, P.Ag., M.Sc., Livestock Industry Development Specialist, BCMAFF Abbotsford (604) 556-3081
- Dan Ireland P.Ag., Commodity Specialist, Specialized Livestock / Small Lot Agriculture, BCMAFF Victoria (250) 356-1672
- Andrea Harris, MSc., Farm Management Consultant, Vancouver