



# PLANNING FOR PROFIT



BRITISH  
COLUMBIA

Ministry of Agriculture,  
Food and Fisheries

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## 300 Ewes Forestry Grazing - Cariboo

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

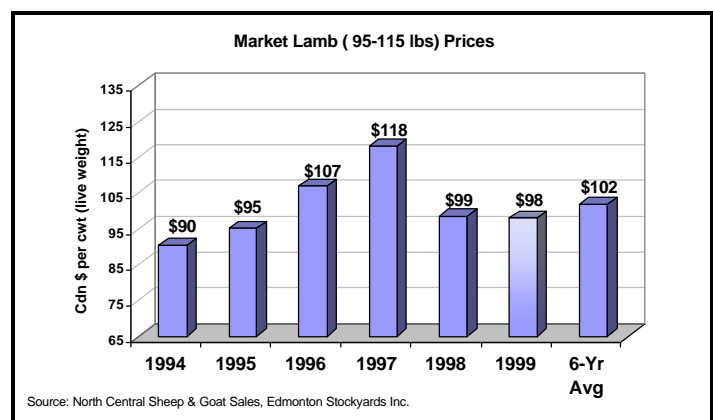
This factsheet is prepared for a 300 ewe enterprise where the sheep are used to control weeds in replanted cut blocks. Lambs are sold for meat through conventional market channels.

Sheep producers involved in forestry grazing contract out their flock to a grazing contractor. The contractor is responsible for transporting the sheep to the grazing sites and for taking care of them while they are on the cut blocks. The producer receives a payment for the use of his or her sheep and does not have to worry about pasturing the flock during that period.

Forestry grazing requires that the producer supply only sheep that have been inspected and approved by a provincially approved veterinarian, ensuring that the requirements of the "Health Protocol for Sheep Used for Vegetation Management in British Columbia" are met. Pregnant ewes, rams or lambs under a 50 lbs in weight cannot be forestry grazed.

The major markets which presently exist for lamb

are auctions, abattoirs and packers. Packers purchase both finished (95 to 115 lbs) and feeder (under 90 lbs) lambs.



### Risk Factors & Strategies

In addition to the risks associated with lamb production, producers who forestry graze their sheep need to address the following risk factors:

- Inexperienced grazing contractors—to ensure good on-site management and healthy sheep, producers should contact the BC Sheep Grazing Association (250-573-5505) and check the qualifications of a grazing contractor before signing a contract.
- Compromised health of sheep—the use of sheep as a successful silvicultural tool depends on producers' and contractors' commitment to flock health and management. On-farm record systems are a definite asset. Records of new additions, deaths, and treatments given helps in meeting the requirements of the Provincial Health Protocol. Proper facilities help make certification easier and ensure that flocks can be inspected efficiently.
- Weight loss—good on-site management and healthy sheep are the keys to preventing weight loss on grazing sites.

## 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 based on interviews with sheep producers and BCMAF commodity specialists; they are estimates based on standard practices in the area and do not represent any particular farm. 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	300	100%	.....
• Rams	9	3%	.....
• Cull Ewes	36	12%	.....
• Ewe Death Loss	15	5%	.....
• Lambs Born	525	175%	.....
• Lambs Lost	45	15%	.....
• Lambs Weaned	480	160%	.....
• Replacement Ewe Lambs	51	17%	.....
• Lambs available for sale	429	143%	.....
• Spring Lambing (March-April)			
• A target weaning percentage of 160% is assumed.			
• Lambs are sold through a local auction market at a price of 95¢ a pound, less a 5% commission.			
• The flock is forestry grazed from about mid-May to mid-November.			
• Confinement feed program includes:			
– Hay (Rams) - 4 lbs per day for 220 days			
– Hay (Ewes) - 3.3 lbs per day for 200 days.			
– Grain (Ewes) - 1 lb per day 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.			
• Lambs are fed an average of 1.5 lbs of grain for 110 days.			
• Dog food costs are for three herding dogs and three guard dogs.			
• Fuel, oil and lube costs are associated with 100 hours general tractor use.			

## 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 lists changes to income as weaning rates and prices per pound vary.

Weaning Percentage		Income*
Low	130%	42320
Average	150%	48763
<b>Target</b>	<b>160%</b>	<b>51984</b>
High	180%	58427

\*Price 0.95/lb

Price \$/lb		Income*
Low	0.85	47574
Average	0.90	49779
<b>Target</b>	<b>0.95</b>	<b>51984</b>
High	1.10	58599

\*Weaning 160%

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
% Income								25	50	25		
% Direct Expenses		10	10	15	5		5	10	20	25		

The above information indicates the timing of monthly flow of income and direct expenses. It is assumed that winter feed supplies are purchased in the fall. A complete Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses.

## Sample Enterprise Budget and Worksheet 300 Ewes Forestry Grazing - Cariboo

### Projected Income

	Head	Avg. Wt	Units	Price (\$/Unit)	Total	Your Estimate
Wethers	240	105	lb	0.95	23940	.....
Ewe Lambs	189	100	lb	0.95	17955	.....
Cull Ewes	36		head	75.00	2700	.....
Cull Rams	3		head	60.00	180	.....
Wool Sales	309		head	1.00	309	.....
Forestry Contract	780		head	10.00	7800	.....
Ram Purchase	3		head	300	-900	.....
<b>Total Projected Income</b>					<b>51984</b>	.....

### Projected Direct Expenses

	Head	Quantity	Unit	Price (\$/Unit)	Total	Your Estimate
<u>Feed and Supplements</u>						
Hay - Ewes	309	660	lb	0.05	10197	.....
Hay - Rams	9	880	lb	0.05	396	.....
Grain - Ewes	300	300	lb	0.07	6300	.....
Grain - Lambs	480	165	lb	0.07	5544	.....
Minerals & Salt	309		head	2.5	773	.....
Dog Food	6		head	150	900	.....
<u>Livestock Supplies and Services</u>						
Shearing	309		head	2.25	695	.....
Vet & Medicine	309		head	6	1854	.....
Miscellaneous Supplies	309			3	927	.....
<u>Marketing</u>						
Fr. and Trucking	429		head	1	429	.....
Commission	5%				2095	.....
<u>Other</u>						
Fuel, Oil & Lube					350	.....
Building & Equip. Repairs and Maintenance					2505	.....
<b>Total Projected Direct Expenses</b>					<b>32964</b>	.....

### Calculation of Projected Net Income

To assess net income, **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>		.....

## Key Success Factors

- Experienced grazing contractor
- High animal health standards
- Market prices
- Lambs weaned per ewe
- Feed costs

## Labour Requirements

Estimated Annual Labour Requirements (Hours):

Feeding	430
Cleaning and Repair	155
Health	100
Lambing	200
Management	120
Other	120
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Total Hours/Year (300 ewes)	1125
Hours/Ewe/Year	3.75

## 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 300 ewe enterprise. It should be noted that some of these items are likely to be used in more than one enterprise—as a result these costs should be allocated (prorated) among the different uses accordingly.

Ewes and Rams	32,700
Fencing (perimeter and divisional)	10,000
Buildings	45,000
Small Tractor (used)	7,500
Field Machinery	3,000
Vehicle	18,000
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Total	116,200

## References

- Sheep Vegetation Management Handbook, BC Ministry of Forests.
- 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

- BC Sheep Grazing Association (250) 573-5505
- BC Sheep Federation (250) 455-6651
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