



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

**One Hundred Ewes
Thompson-Nicola
Spring 1995**

Agdex 430 - 810

Introduction

The planning process provides producers with the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Contribution Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Contribution Margin** must provide funds for interest, overhead and other indirect expenses as well as a return for living expenses, loan repayment and investment. These items should be included in the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Weaning Percentage	185%
Price (liveweight)	\$.65 - \$.95/lb.

High weaning percentages combined with low lamb and ewe mortality are essential for profitability in this low margin industry. Good management should include not only careful selection and breeding but also good quality feed and a proper health and disease prevention program.

Optimum pasture production capabilities are 5 tons D.M./acre on irrigated land. This Contribution Margin assumes 15 acres of irrigated pasture (producing 4 tons/acre) and 10 acres of dryland pasture. Opportunities exist in the sheep industry to increase pasture production and increase yields and profitability.

Marketing Alternatives

Investigate and develop marketing options prior to lambing. Direct marketing a portion of your lamb crop or alternatively, marketing heavier lambs earlier in the year to take advantage of higher prices are two potentially feasible options.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc							25	25	25	25		
%Exp	10	10	15	5			5	10	20	25		

The above information indicates the timing of monthly flow of funds included in the contribution margin only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Investment	\$500-550/ewe
Direct Expense % of Income	60% - 70%

The above indicators are provided for comparison purposes. They are set out as potential targets for sheep production.

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SHEEP

Target Weaning Percentage - 185 %

Contribution Margin for 100 Ewes Thompson - Nicola

Income	Head	Avg. Wt.	Price/ Lb./Hd	Total
Wethers	93	100	\$.85	\$7,905
Ewe Lambs	72	100	.85	6,120
Cull Ewes	15	1	30.00	450
Cull Rams	1	1	60.00	60
Wool Sales	103	7.0	.65	469
Total Income				\$15,004

Direct Expenses	Head	Input	Price /Unit	Expense
Hay: Ewes	100	.37 tons	\$100.00	\$3,700
Rams	3	.50 tons	100.00	150
Pasture*: Ewes	95	.50 tons	15.00	713
Rams	3	.68 tons	15.00	31
Lambs	185	.25 tons	15.00	694
Barley: Ewes	100	42 kg	.16	685
Creep Feed	190	8 kg	.25	404
Milk Replacer	6	10.5 kg	3.00	189
Dog Food	1	183 kg	2.00	365
Minerals & Salt				295
Ram Purchase	1	1	300	300
Shearing	103	1	2.00	206
Vet & Medicine	103	1	7.00	721
Vet & Medicine	185	1	2.50	463
Fuel, Oil & Lube				175
Machinery Oper.				200

Frt. & Trucking 165 1 1.00 165

Total Direct Expenses \$9,384

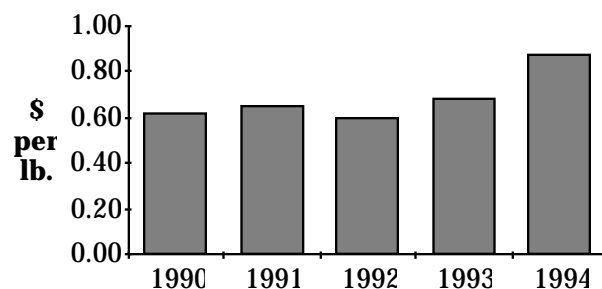
Contribution Margin \$5,619

*205 days on pasture equivalent to 5, 6 and 2 lbs./day for ewes, rams and lambs respectively.

Herd, Buildings and Machinery Replacement Cost Total Farm Size - 25 Acres

Ewes and Rams	\$10,900
Buildings	5,000
Power Machinery	12,000
Field Machinery	3,000
Vehicle	18,000
Stock Trailer	<u>5,000</u>
Total	\$53,900

Slaughter Lamb Price



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quantity of yield changes and price received varies.

PRICE \$/lb.	Weaning Percentage			
	165%	175%	185%	195%
.65	1,164	1,742	2,319	2,897
.75	2,614	3,292	3,969	4,647
.85	4,064	4,842	<u>5,619</u>	6,397
.95	5,514	6,392	7,269	8,147

This information is provided as a guideline only. Target yield indicates above average production. An individual crop plan should be developed by each producer. Planning forms may be obtained from your local office of the B. C. Ministry of Agriculture, Fisheries and Food.