



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

One Hundred Ewes Direct Marketed Lambs Cariboo 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	180%
Price dressed (c & w)	\$2.50 - \$3.00/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 forage production must be met in the Cariboo. Opportunities exist in the sheep industry to increase forage production and increase yields and profitability. This operation is based on 15 acres of good quality pasture.

Marketing Alternatives

Investigate and develop marketing options prior to lambing. Availability, cost and quality of butchering, seasonality and volumes are all factors to consider. Cull stock is generally sold through auction on direct farm market operations.

Cash Flow Timing

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

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	\$600-700/ewe
Direct Expense % of Income	70% - 80%

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

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DIRECT MARKETED LAMBS

Target Weaning Percentage - 180 %

Contribution Margin for 100 Ewes Cariboo

Income	Head	Avg. Wt.	Price/ Lb./Hd	Total
Wethers	90	50	\$2.50	\$11,250
Ewe Lambs	70	45	2.50	7,875
Cull Ewes	15	1	30.00	450
Cull Rams	1	1	60.00	60
Wool Sales	103	7.0	.40	288
Total Income				\$19,923

Direct Expenses

	Head	Input	Price /Unit	Expense
Hay: Ewes	100	.36 tons	\$100.00	\$3,600
Rams	3	.49 tons	100.00	147
Pasture*: Ewes	100	.40 tons	15.00	600
Rams	3	.48 tons	15.00	22
Lambs	160	.16 tons	15.00	384
Barley: Ewes	100	55 kg	.16	897
Lambs	190	15 kg	.16	465
Creep Feed	190	9 kg	.25	431
Milk Replacer	6	10.5 kg	3.00	189
Dog Food	1	200 kg	2.00	400
Minerals & Salt				305

Ram Purchase	1	1	300	300
Shearing	103	1	3.00	309
Vet & Medicine	103(Ewes)	1	7.00	721
Vet & Medicine	180(Lambs)	1	3.00	540
Fuel, Oil & Lube				175
Machinery Oper.				200
Butchering	160	1	20.00	3,200
Cut & Wrap	7,650	1	.30	2,295
Total Direct Expenses				\$15,180

Contribution Margin \$4,743

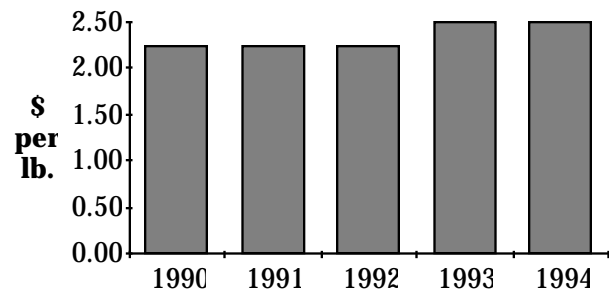
NB. Return based on carcass price including cutting & wrapping

*160 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	15,000
Field Machinery	20,000
Vehicle	<u>18,000</u>
Total	\$68,900

Cut & Wrapper Prices



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as weaning percentage changes and price received varies.

PRICE \$/lb.	Weaning Percentage			
	160%	170%	180%	190%
2.00	(189)	364	918	1,471
2.25	1,486	2,158	2,830	3,503
2.50	3,161	3,952	4,743	5,534
2.75	4,836	5,746	6,655	7,565
3.00	6,511	7,539	8,568	9,596

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.