

*Controlling Sheep Production Costs*  
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## **Introduction**

As a youth in New Jersey, I recall summers when we would purchase two feeder lambs in June and grazed them through the summer, putting them in the freezer in the fall. This was my first direct experience with sheep. The idea for sheep and grazing as a viable ag enterprise for me began with a graduate course in farm management. I had the opportunity to run a series of 5year farm computer simulation models, trying different combinations of farm enterprises. My initial plan was to have a beef herd with a few sheep, each time I increased forage production, profit increased, every time I added sheep over beef cows, profit increased. I knew some point in my life I'd have to try this out and see if it worked.

The farm we rent has 105 acres of permanent pasture. There are two spring fed streams which converge on the property, one section of which has a livestock exclusion fence, creating a "waste" buffer zone on either side of the stream, both stream beds are filled with coarse sedges that are not particularly palatable/desirable for grazing, and these will flood in very heavy rains, resulting in about 95 useable pasture acres of varying quality. Currently this supports over 300 ewes. There is also 135 tillable acres, of which 25 are kept for hay production and grazing lambs, the rest is subleased to an area dairy producer.

## **Resources**

Because of the topography of the region, this property is highly erodible, I feel the majority of the land needs to be kept in permanent or long rotation forage and grass production. The major issue for us then is converting this fixed forage base into a saleable product. As managers we are trying our best to utilize the available resources which include: land, crop production, crop aftermath, existing facilities, labor, skills, outside income, market access, breeds, selection, and species mix. Some resources are fixed, some I would consider variable or changeable depending upon the choices made.

The questions I ask myself are:

- What fixed resources do I have to work with?
- What personal skills do I bring to the table?
- What products can I put together given these resources and sell enough of to earn a living?
- What market access do I have and what product does that market desire?

The very first year I sold lambs, I received 42 cents/lb, it became QUICKLY apparent that if I expected this to become a fulltime occupation, that to not only to survive but to earn a profit I'd need to work very hard on controlling costs relative to production. There

have been barriers or roadblocks over the years limiting the expansion of the flock, we're constantly evaluating these and looking for solutions.

## **Why Concentrate on Costs?**

Profit (or loss) = income (prices received) - expenses (prices paid)

This is a very simple formula to state, however actually making it work is somewhat more involved.

Direct marketing offers some control over the income side of the equation.

Commodity marketing has little (not zero) control over income side and so must focus primarily upon expenses.

Commodity markets tend to be cyclical. The cure for high prices is high prices.

Another issue is that U.S. society has chosen to elect officials that support the concept of "free trade", the implication of this is that we will face increased global competition from imported lamb, now we can try and position American lamb differently in the market place, but in some fashion we will still have to compete with NZ and Australian lamb on value.

## **Where do my \$\$'s go?**

The 1<sup>st</sup> item we absolutely need is to keep accurate records of production and costs, without these it's like trying to reach a destination without a map, eventually you might get there, or you might not ever arrive.

- Where are you incurring costs/expenses?
- Where are you generating more profit?
- Which sheep are the more profitable for your situation?
- How do you KNOW where you need to focus your efforts to improve your profit?

Below is a chart of our averaged production costs over the past several years', I've tried to get everything adjusted down to a per ewe basis to make comparisons a little easier.

## Annual Expenses /Ewe

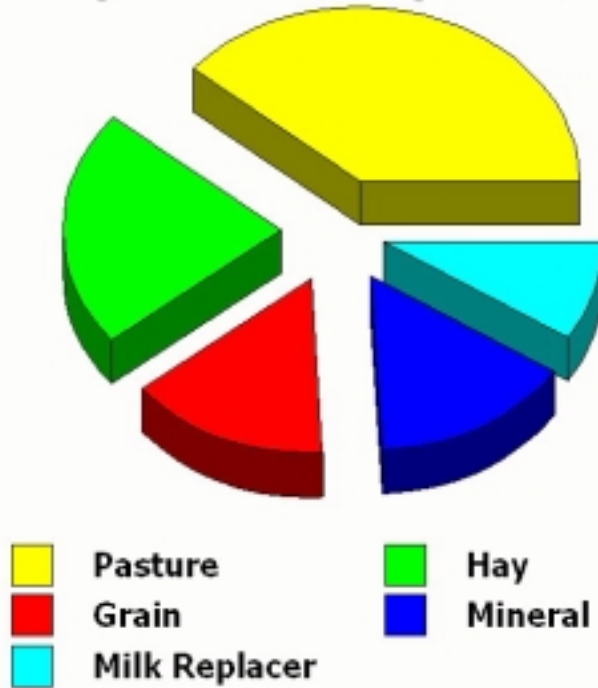


Of course we need to breakdown these areas further, but this provides us a visual map, an initial guideline of where we incur our major costs in producing lamb. We need then to focus our attention proportionate to the relative impact on profit. Reducing a large expense by 10% has a greater impact than reducing a smaller one by 10%. This doesn't mean we should IGNORE smaller expenses, there may be some quick and easily accomplished changes to be made that can lower a small expenses as well. The point is to not spend all your time trying to save pennies when you could be spending the same amount of time saving dollars. You may be thinking, "well, you're talking about pennies", 10% of feed costs is only \$2.54. BUT we're looking at the savings over the entire flock, at 300 ewes, this works out to \$760. It's the production of the entire flock that's relevant, not the production of the individual. Everyone has a couple outstanding individuals, but where's the flock average?

## Controlling Your Largest Costs

### Feed Cost

#### Summary Total Feed Expenses/Ewe



#### Breakdown of /Ewe Feed Expenses

	Total Cost	Cost/Lb
Pasture	\$13.00	\$0.01
Hay	\$7.40	\$0.025
Grain	\$5.00	\$0.06
Mineral	\$5.00	\$0.36
Milk Replacer	\$3.00	\$1.00

## **How we are addressing Feed Expenses**

1. Graze as long as we possibly can/feel comfortable with – usually 1<sup>st</sup> of the year
2. Improve the stocking rate of pasture – currently around 3.5 ewes/acre
3. Stockpile fall pasture – begins in August
4. Graze crop aftermath – access to alfalfa and corn
5. Trying annual forages such as turnips, kale, rape, corn
6. Inter-seed clovers into pastures
7. Inter-seed grass into alfalfa hayfields
8. Contract hay production
9. Use round bales
10. Reduce hay waste
11. Wean orphan lambs at 17 days of age
12. Sort bred ewes by condition or fetal numbers
13. Forage testing
14. Soil testing
15. Utilize nutritionist for mineral needs
16. Computer software to calculate least cost feed rations
17. Bulk Feed purchases
18. High concentrate finishing ration
- 19.

## Summary of /Ewe Labor Expenses

Ewes & Lambs



## Breakdown of Labor Expenses

### Lambing

	Days	Hours/day	Total	Hours/ewe
Shepherd	21	15	315	
Shepherd	21	2	42	
George	7	3	21	
Assistant	21	1.5	31.5	
Assistant	21	0.5	10.5	
			420	1.27

### Grazing

	Days	Days/move	Hours/move	Total Hours	Hours/ewe
Fencing Ewes	224	3	1	74.67	
Fencing Lambs	88	1	0.75	66	
Clipping				40	
Fertilizing				5	
Maintenance				10	
Seeding				5	
				200	0.61

From University of Wisconsin-Madison Sheep Management ETN Website:  
<http://www.uwex.edu/ces/animalscience/sheep/>

Feeding		Days	Time/day	TTime	Hours/ewe	
Ewes	Hay feeding	105	.67	70		
	Grain feeding	42	1.3	56		
					126	0.38
Lambs	Days on feed	90				
	600 lambs total					
	<b>Group feeding</b>					
	2x/day					
	20 minutes/feeding					
	total/group of 120			75		
	total for 600 lambs(5 groups)				375	1.14
					501	1.51

Health			Rate	TTime	Hours/ewe	
Ewes	Worming	2x	100/hour	6		
	Vaccinating	1x	50/hour	6		
	Sorting-Breeding	1x	50/hour	6		
	Sorting-Lambing	1x	60/hour	5		
	Blood testing			3		
Lambs	Weigh/Vaccinate	2x	40/hour	30		
	Worming	2x	100/hour	6		
					62	0.19

Other Labor	TTime	Hours/ewe
Record keeping	50	0.15
Barn Cleaning	20	0.06
Marketing	48	0.15

## How we are Addressing Labor Expenses

1. Use round bales
2. Use big square bales
3. Unroll hay
4. Wean orphans early
5. Use self feeders for lambs
6. Automatic watering system
7. Select better ewes/rams
8. Reduced number of trips into lambing pens
9. Reduced foot trimming
10. Use mineral and/or pasture watering to deliver wormer
11. Chute system
- 12.

## Breeding Expenses

### Assumptions

1. 40:1 ewe:ram ratio
2. 2 lambs weaned/ewe
3. 5 year productive ewe life
4. Zero ewe death losses

### Options are:

1. Sell all ewe lambs, and purchase replacement breeding stock
2. Retain breeding stock

How much can you afford/should you pay for breeding stock?

Sell Ewe lamb	125 lbs	\$72	\$90.00
Feed cost till lambing		\$20	
Cost to keep			\$110.00

2 lambs/year x 5 years = 10 lambs produced  
\$11/lamb/year

Value of a replacement ewe, let's say \$200 minus sale value of your own market ewe (\$90)

Actual net cost of purchasing replacement ewe = \$110

There is still an ownership cost for the purchased ewe till lambing = ??

Need to deduct this cost from the \$200 price tag to arrive at a comparable value.

Ram costs/lamb

- assume 4 year breeding use

4 years x 40 ewes/year x 2 lambs/ewe = 320 lambs

If you paid \$400 for the ram, cost/lamb = \$1.25/lamb

If you only have 10 ewes, the cost/lamb = \$5.00/lamb

This doesn't even factor in the added performance that a better quality/producing ram will have and potentially improved value of his lambs at market.

So where do you want to save a few dollars, with a cheap ram or a cheap ewe?

## **How We are Addressing Breeding Expenses**

1. Flush ewes on alfalfa/corn stalk diet prior to breeding
2. Breed at peak ovulation period in fall
3. Utilize a teaser ram to synchronize ewes and improve ovulation
4. Breed own replacement ewes
5. Replacement ewe lambs that fail to breed are sold as market lambs
6. When purchasing rams, look for high EPD/ performance records and high health
- 7.

## **Summary**

As (or if) you increase your flock size, your expenses will change, what wasn't a significant expense may become one, and what was costly might become less so with size. This is economy of scale.

Learn to keep records, and look at them.

Maximize the use of your cheapest feed resource, could be pasture, could be hay, or something else.

Concentrate your efforts on your largest expenses first.

Jot down notes for yourself as you do things or right after they're done. Memory fades with time.

When (not if) you encounter obstacles, we need to learn to think through the problem. what is the real issue?

Select the sheep that perform best for you and your resources and under your management, cull ruthlessly.

Remember YOU are in control of the expenses.