

STRATEGIES FOR A PROFITABLE AND COMPETITIVE SHEEP PRODUCTION SYSTEM

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There is no one sheep production system that will be profitable, competitive and sustainable for everyone. I have seen small operations just as profitable as large, and grain-based just as profitable as forage-based. The difference is that the people that have made the different production systems profitable have usually been able to clearly identify their long term goals, they have fully utilized the resources available to them, and they were willing to change the system when either their goals or resources changed.

Rather than define a particular system that I think will be the most profitable for the future of the industry, I think time would be better spent looking at the process that someone should go through in setting up a production system. To do that, I'd like to use some case examples based on questions that I've heard over the years from people that have either considered getting into the business or have been looking for some new direction. The case studies I'll describe are not actual people, but the situations are very common.

First I'll describe each situation as they have usually been described to me when someone calls, writes or stops me at a conference. Next I'll take a look at each case and then test them against the three factors I have mentioned: 1) Have the fundamental goals been clearly identified?; 2) What type of physical and management resources do they have available?; and 3) Are they willing to modify the system to meet changes in their goals or resources? The last question to be asked would then be: Is the system going to be profitable and competitive over the long haul? Or in other words, Is it sustainable?

Case 1 - Irma and Rudy

Sixteen years ago the kids decided they wanted to show an animal at the 4-H fair, and so we went out and got a couple of sheep. We decided on sheep because the kids were young yet and cattle seemed too big and pigs are so messy. Well, two sheep led to four, four led to 10 and now we're up to forty purebred Hampshire ewes. (I've seen flocks of 200 or better that started with a couple of fair lambs). This year Jimmy, our youngest heads off to college. He has been such a help lambing those Hamps out every March. Rudy and I both work in town and it's hard for us to be around all of the time to take care of the newborns. Jimmy would like to see us keep the sheep until he gets out of school and gets a place of his own. He's really got great genetics in the flock, but we're afraid we can't afford the time. With lamb prices so low, we're not really sure what to do.

Goal Setting:

Have these folks clearly identified their goal for raising sheep and has that goal changed? Yes. In the beginning they started into the sheep business purely as a way to get the kids and family involved in a project together. The problem that Rudy and Irma have facing them now is that the goal for raising sheep is no longer there, or is greatly

diminished. Unless the initial goal can be replaced by an equally important one, it would be tough to keep the sheep around very long

Resources Inventory:

There are several things we know about their resources, but there are several things we don't. Let's start with what we do know. First of all, they do have experience raising sheep, and my guess is they have been active in 4-H and have probably got some pretty good sheep skills, at least for raising sheep for fairs. The next thing we know is that labor will be in short supply. Any kind of production system that is put into place will have to be labor efficient. One of the problems with March/April small flock lambing systems is they are not very labor efficient. Lots of time is spent moving pens, feed, animals and manure. Although it isn't mentioned, I am assuming that they have housing for at least 40 ewes. In Wisconsin that would either be the downstairs of an old dairy barn that used to milk about 36 cows or a machine shed.

There are several things we don't know. First is feed produced on the farm? Is this grain country or hay country? Are there pastures around the house, or are they in the middle of high-priced corn ground with a 1 acre barnyard?

Ability to change the system:

The ability to change the system and adapt to a new set of variables is extremely important in any farm operation. It is critical to the survival of the sheep industry. A very wise old shepherd once told me "One of the big problems with the sheep industry isn't that the sheep aren't adaptable, it's the people". As the years have gone on I have been continually amazed at the wonderful adaptability of sheep to many different styles of husbandry. I have been equally amazed at the resistance of shepherds to recognize that fact.

What we know about Rudy and Irma is that their goal for raising sheep has not been based purely on profitability. If the sheep have been profitable, it has only been a plus. Their love of the animals and their children far outweighed their desire to make lots of money. Their goal still remains their children and their love of the animals, however, they are now faced with the reality of reduced labor. What can be changed to keep this flock of 40 Hamp ewes together, continuing to produce and to be passed on to the next generation? Perhaps shifting lambing to later in the year either in the barn or, if some nice pastures are available, out on pasture. Labor may be more available in the summer either from Jimmy or some of the neighbor kids. If the limiting factor becomes labor, then shift to a system that requires less labor.

Is this system profitable and competitive?

I'm not sure, but it may very well be in business 10 years from now as long as it meets the goals of the operators and utilizes their resources.

Case 2 - Fred and Ethyl

We bought an old farm last year, and the weeds were really high so we bought a couple of sheep to clean up around the place. We didn't realize that we had a ram in with ewes, and the next thing we knew, one of them had a baby. All of a sudden we were in the sheep business.

Goal Setting:

Unfortunately, Fred and Ethyl's goal for their sheep flock is far too common. They really haven't the faintest idea what to do with their sheep, because they never really expected much out of them.

Resource Inventory:

I'm never quite sure what to do with these kind of calls. I'm not very optimistic about the survival of the sheep enterprise because the most critical factors are already missing. Fred and Ethyl have no sheep skills, and they have no long-term goals (it's hard to get anywhere if you haven't the faintest idea where you are going). I don't even know if they could tell the difference between a bale of straw and hay. Before I would spend too much time worrying about their physical resources, I would really question whether Fred and Ethyl are developing a respect for the animal they have chosen to have cleaning up weeds around their place. If they really are beginning to understand the value of the animal then we can look at resources. Finally we can focus on skills needed to match goals and resources.

Ability to change the system:

Fred and Ethyl really don't have any system to change. What is important to note here is that the sheep are secondary to their initial goal of keeping weeds down. There are a lot of things that can get the job done, such as weed whackers and herbicides. If the sheep become a burden, then they won't be in for a long stay at Fred and Ethyl's place.

Is this system profitable and competitive?

I don't think so. I hate to say it, but it may very well be profitable in the short run. If their production costs are low, and they are able to market a few lambs to friends and neighbors, they may actually make a few bucks. I doubt, however, that it will be competitive and sustainable, especially once the novelty wears off. There is more to developing a sustainable system than making input costs disappear.

Case 3 - Bert and Ernie

The cattle market started going in the dumper, and lambs were bringing a pretty good price, so we sold the cows and picked up a hundred ewes at the local sale barn. We stuck them in the cattle lots, and we've had nothing but problems ever since. You name it, we've had it; foot rot, abortions, pneumonia, circling disease, everything in the book. I guess what I've heard is true, a sick sheep is a dead sheep. We've got all of this corn silage we make every year because we have all of the equipment to do it with. What can we do to make some money in this business. We've tried just about everything else.

Goal Setting:

The first thing we have to sort out here is what is the underlying goal of Bert and Ernie. Are they trying to market their corn and they need an animal to add value to it? Or are they trying to market their equipment and they need corn and eventually sheep or cattle to add some kind of value to it? It is obvious that the sheep enterprise is exchangeable with any other enterprise; it's just not clear what they are trying to do.

Resource Inventory:

It's obvious that Bert and Ernie have plenty of physical resources. They've apparently got some kind of a feedlot, and they seem to have the land needed to produce the feed. They don't appear to have a lot in the way of management skills, especially when it comes to the livestock side of the business. They may very well have the best looking corn in the county, but there is a big difference between growing corn and managing a corn business.

Ability to Change the System:

It is obvious that Bert and Ernie are willing to change their system. The marketplace for their original commodity has changed, so they are willing to look into another commodity. The problem is the system has to be in line with the goals and then the resources of the operator. Bert and Ernie are classic examples of something that I see all too often in dairy, sheep and many other kinds of livestock enterprises. The livestock enterprise is only there so that the operator can drive tractors around and say they are a farmer. Bert and Ernie should probably set themselves up as custom equipment operators and do what they truly love and probably do best, drive and care for tractors. They could probably finish out some steers or lambs when it's profitable to do so and sell them when it's not.

Is the system profitable and competitive?

The system that is described here is never going to be profitable and competitive because it mismatches goals and resources. A sustainable system has got to feed on itself and grow.

Case 4 - Ben and Beth

Last year we finally decided to sell the dairy herd. It drove us crazy seeing the barn sit empty, so we went out this past winter and bought some bred ewes from our neighbor, Sally. Sally always seemed to do pretty good with her sheep, and she has been a great help in getting us set up. Healthwise things are just fine. We've done all the proper vaccinations. We made sure we got good ventilation in the barn so pneumonia isn't a big problem. We've also got plenty of feed. Our farm is just northwest of Thorp in North Central Wisconsin, and we have 100 acres of nice hayground. With all of those things going for us, we just can't seem to make any money. The grain bill and equipment costs are killing us. It's tough to make ends meet even with \$80 lambs.

Goal Setting:

What is the fundamental goal here? Is it to make money marketing forage through the sheep, or is it to keep the barn full of animals? What are Ben and Beth asking the sheep to do for them? Before we can make any kind of recommendation, we have to know what Ben and Beth are really after. If they want to market forage, then the barn is only a tool in the process, and it is not absolutely necessary.

Resource Inventory:

Ben and Beth have lots of resources available to them. The barn is an asset, but it isn't necessarily needed to market forage through their animals. They definitely have a forage resource base. In the part of Wisconsin that they are in, grass and clover will grow forever with just the most basic of care. They may or may not have it fenced, but that is an easy one to work with. Ben and Beth seem to have a strong desire to work with animals, and they appear to be open to suggestions on how to do it. Being that they just got into the sheep business and they've had few animal health problems, even raising them in the downstairs of a barn, tells me that they are probably pretty sharp animal managers. The one thing we don't know is what their labor situation is. I'll guess it's just the two of them, and they aren't as young as they used to be.

Ability to change the system:

If Ben and Beth are going to make sheep a viable tool to market their forage, there are a few things they will have to be willing to change. The first is the need to keep the barn full of animals. It is very difficult to make a barn pay for itself if it isn't producing anything. If their desire is to market forage through sheep and keep the barn full of animals, they will probably need to look at producing more lambs out of the facility over a longer period of time. They may want to take a look at an accelerated lambing system or use sheep that produce lamb crops of 250% or better. I guess the limiting factor in that system is their desire to put in the kind of work that an accelerated system needs. Remember, they just got out of one labor intensive enterprise. Are they ready to get into another one?

What about the barn? Do they really need animals in the barn? Maybe they should sell the storage space and keep the sheep outside in a pasture-based system. Maybe they should take a look at a pasture-based system that will produce the lambs on high quality pastures in the summer, and the extra forage that they can't keep up with during the grazing season can be put away for maintaining the ewes for the winter. The question again comes, what assets are Ben and Beth the most attached to, and what are their fundamental goals?

Is the system profitable and competitive?

The current system as they originally describe it is obviously not profitable or competitive, or they wouldn't be asking questions. All too often I see shepherd burnout because folks get into the business and set up systems that do not match their resources with their goals. They are looking for a substitute for a system that served them well in a different time with a different set of resources.

Case 5 - Bob and Sue

We heard your talk at the Wisconsin Sheep Industry Conference about pasture lambing, and we were so impressed we went out and bought 75 ewes. It's a good commercial flock we bought from an older couple that was retiring and selling their farm. The farm is located just west of Madison in Dane County, and we bought it about 2 years ago to get out of the city. It was originally part of a 160 acre farm, but we bought the house, the buildings and twenty acres. The rest of the land went to a local farmer who raises grain. We've had a lot of problems with ewes, not accepting lambs, triplets that can't keep up, large teats on the ewes, and we keep having to buy forage for both the winter and in the middle of the summer. And by the way, how do you get control of thistles?

Goal Setting:

The red flag that goes up for me is whose goals are we talking about here? Are they my goals for my farm in North Central Wisconsin or are they their goals for their farm in southern Wisconsin? Are we talking lifestyle goals or profit goals? Are we trying to market grain, buildings, forage or what? Are the sheep a means to an end or an end themselves? Bob and Sue have quite a few things to talk about before they can start discussing sustainable options.

Resource Inventory:

From what we know up to this point, it is pretty obvious that Bob and Sue are long on buildings and short on land. They don't appear to have much in the way of management skills, and working off the farm probably means they are also short on management time. If they have good paying jobs in town, they probably have all sorts of capital to throw into the project over the next few years. But unless the money is going toward a reasonable goal, they will probably learn some very expensive lessons. Land is a problem. The limited availability of land is going to burden them in not only producing feed but getting rid of manure. These are not small items. One of their biggest assets is their proximity to a metropolitan area. This offers all sorts of marketing possibilities.

Ability to Change the System:

Will Bob and Sue be willing and able to change the system. Yeah, I guess so. The question isn't whether they are able to change the system, it is whether they can sort out what they really want the farm to do for them and then design a system that fits the resources.

Is the system profitable and competitive?

If Bob and Sue want to make their little heaven on earth remain a heaven and not turn into some kind of purgatory, they better realize that a grass-based system will probably not work. If they are actually in love with the location and they want to spend their time with a sheep enterprise that makes some money and meets their personal goals, then they need to downsize their pasture system considerably and produce more lambs out of their facilities. Since they are in corn country, they will always be able to get a hold of some direct purchased grain. If they invest in a grain bin, they can go a long way toward cutting down on expenses.

I would look real strongly at downsizing the ewe flock a bit, going to an accelerated lambing system that spreads labor out over the year and gets more lambs out of fewer ewes. They may want to blend in another enterprise, such as poultry, that can utilize what the sheep can't. And what about sheep dairying? They are close to a metro area, they've got barns and plenty of grain. That may be a very viable option.

Regardless of the species or enterprise they are working with, they have got to tap into that urban marketplace. That could very well be the difference between profit, loss, and sustainability.

In Closing:

My first advice to anyone looking at their sheep production system is to avoid falling in love with processes and assets rather than the possibilities. In these five examples, I have tried to cover just a few of the unlimited options that people have available in raising sheep. The key to creating a profitable and competitive sheep production system is not necessarily producing more lambs per ewe, using management intensive grazing or raising the meatiest sheep in the countryside. It is honestly defining your goals, capitalizing on your resources and being willing to change when either your goals or resources change. Don't worry about the sheep, they can adjust. It is the people we have trouble with.