

Management of Sheep for Profit

In order to successfully manage an operation, a sheep producer must be aware of the various marketing alternatives available. He or she must also understand the importance of using a budget and how to create one. Other management techniques that help maximize profit are knowing how to alter feed for optimal efficiency and how to use an enterprise analysis tool in record keeping.

Identifying Available Options for Marketing Sheep

Various marketing options are available to sheep producers. Some markets are more practical for large operations; others are suited to small producers. Depending on the location of the operation, some markets are more accessible than others. When producers select a market, their decisions are usually based on the types of markets available in their area. Another important factor for producers to consider is the current price of sheep. Other concerns may be transporting the animals and the estimated number of sheep the producer will sell. Based on these and other considerations, producers determine which options are best suited for marketing their sheep. Whatever option producers select, the goal is the same—to process lamb into wholesale cuts. The Cooking Lamb section in the appendix addresses many issues concerning preparing lamb.

Terminal markets, or stockyards, provide facilities that hold sheep temporarily before they are processed, sold, or shipped. The producer pays a fee and the stockyard holds the sheep until a meat processing facility purchases the animals. An agent or firm receives a commission for selling the animals. The number of terminal markets in the United States is declining because producers are choosing other methods of marketing their sheep.

Local market pools allow producers with small or medium-sized operations to combine their animals. By forming pools, producers hope to attract more buyers. These pools can cut down on trucking and marketing costs for the producer. They allow producers to be more in control over the supply and the price they will receive for the animals.

Auction markets are another popular means to buy and sell animals. At auctions, which are usually held at local sale barns, there is no set price for sheep. Because buyers are bidding against one another, the amount the sheep bring may sometimes be more than they would have brought in other markets.

Figure 5.1 - Auctioneer



Direct marketing is the method large-scale producers use when selling their animals directly to processors. It is usually more cost-efficient for a processor to buy many sheep from one large operation than it would be to buy the same number of sheep from many small operations.

Niche markets address specialized needs, such as home-raised organic meat, the kosher market, and selling wool. Often niche marketing is a way to sell a unique or specialized product, although typically it is at a premium price to a relatively small market audience.

Finally, the most recent marketing development to affect the sheep producer is electronic marketing, which provides diverse markets. Although it is still a recently developed alternative, electronic marketing is expected to increase the number of sheep that are bought and sold in the United States because buyers can now bid on sheep via the Internet. The resulting benefits are lower transportation cost and less stress on the animal, which causes weight loss. Because the market is brought directly to the producer, it is easy and convenient to sell the animals. Market information is available 24 hours every day. The producer may accept or reject the sell price.

Sheep Production

Creating a Budget for Sheep Production

It is important for producers to keep an accurate record of actual expenditures as a reference when creating a new budget. Creating a budget for a sheep operation requires lots of research. A new producer has to determine what to include in the budget. In addition to the number and price of sheep, the producer must consider everything needed for sheep production, such as supplies, vaccines, feed, and shelter. Once the producer has a list of the things the operation requires, he or she must determine what those things will cost. A wise producer overestimates cost, or overbudgets, to allow for unexpected expenses. Table 5.1 shows a simplified version of a monthly budget for an operation a student may have with club lambs. Note the different expenses listed. Compare the left column, which is a list of projected costs, to the right column, a list of actual expenditures. The largest discrepancy was in veterinary bills: from an estimated cost of \$20 to over twice that amount. To successfully manage an operation, a producer should create both monthly and yearly budgets.

Identifying Efficiency Factors for Optimal Profitability

The producer should be aware of how much grain sheep require at different stages of development. For example, young lambs require 3 to 4 pounds of concentrate for 1 pound of weight gain per day. The amount of grain a ewe requires fluctuates dramatically throughout gestation and lactation:

Table 5.1 - Monthly Operation Budget

Sheep Production Budget		
Monthly Expenses	Estimated Expenditures	Actual Expenditures
Pasture	\$50	\$50
Hay	\$56	\$45
Feed	\$22	\$25
Vet. bill	\$20	\$42
Supplies	\$25	\$20
Miscellaneous	\$15	\$10
Total Expenses	\$188	\$192

- During the first 15 weeks of gestation, a ewe requires 1% of her body weight of balanced ration plus high-quality forage per day.
- During the last 4 to 6 weeks of gestation, a ewe requires 1% to 2% of her body weight of balanced ration plus high-quality forage per day per day.
- During lactation, a ewe requires 2% of her body weight of balanced ration plus high-quality forage per day.
- Ewes that are heavy require more feed.

Using an Enterprise Analysis Tool in Record Keeping

Enterprise analysis tools can be very useful to a sheep operation. Anything that can process a producer's records and aid future decision making could be considered an enterprise analysis tool. However, computers are becoming increasingly popular as a quick and easy way to maximize an operation's profit. Software is available that can perform cost-benefit analysis for the producer and help determine the outcomes of multiple hypothetical scenarios. When a producer uses an analysis tool to enter data about his or her operation, it processes the information and identifies which enterprise is best suited for that operation. The enterprise analysis tool also indicates which sheep are performing best at breeding time and what the profitability will be from individual animals. An example of an enterprise analysis tool is Ranch Vision by Advanced Veterinary Services.

Summary

There are many different marketing options for buying and selling sheep. However, for producers to have assurance the sheep they are buying and selling will yield a profit, they must create and follow a budget. The producer must also know how to alter feed for optimal efficiency and be aware that enterprise analysis tools are available, which can process records and help make decisions affecting the operation's future.

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