Business Plan for Sheep Producers

This publication is intended to provide sheep producers with examples of information that should be considered in developing a business plan financial lenders are looking for when evaluating a business proposal. This publication provides examples in each section producers can use to develop their own information to compile their business plan. The document outlines twelve sections of information that should be considered in the business plan. Producers can use all or select sections they choose in their business plan. However, the more information provided, the clearer the picture will likely be for explaining the current operation and plans to expand or modify the business.

Due to the small size of the sheep industry in Western Canada, limited industry information is available online and not many financial lenders understand the business, production costs and the life cycle of a sheep farm producing lambs for sale. The sample business plan in this publication is for illustrative purposes only. It should be an objective of the user to keep it as clear and concise as possible. You should have your lawyer review any legal items in the plan before it is finalized.

For more information, contact the Agriculture Knowledge Centre at 1-866-457-2377 or visit ***saskatchewan.ca/agriculture***.

Wording in red color is for explanation purposes to help provide information and direction in writing a business plan and should be removed after the document is completed.

TITLE PAGE

-Business plan date issued, business name, address, contact numbers, owners

Business Plan Issued May 15, 2024, for:

XYZ SHEEP FARMS

Box 1
Sheep Valley, SK.
S0V 0S1
Phone#306-333-3333

Owners: X and Y Sheepfield

The information in this business plan is not from an actual farm but a made-up situation where a farm is wanting to expand. It provides examples of what financial institutions will be looking for in reviewing a business plan.

Producers can modify this document by adding or removing any section in the following pages that they feel necessary to better explain their operation and current expansion plans. This business plan is developed based on a general business plan model and adjusted for the sheep industry.

TABLE OF CONTENTS

A single page listing section headings with corresponding page numbers.

EXECUTIVE SUMMARY

Should be written after all other work is completed. A brief one-page summary of main topics covered with business description, expansion plan, financing needed, feed required and sourced, financial information and marketing plan.

XYZ Sheep Farms is currently a 400-ewe operation that produces about 650 lambs annually available for sale. Lambs are born annually in late March to early April and are sold in the fall as feeder lambs weighing 70-80 lb.

The sheep operation plans to grow by holding back 200 ewe lambs in year one (2024) followed by another 200 ewe lambs in year two, bringing the ewe flock up to 800 ewes.

The expansion plan will require financing of 200 ewe lambs in year one and 200 ewe lambs in year two. A loan of $60,000 in year one followed by a second loan of $60,000 in year two with repayment annually over five years will be needed for the expansion.

The increase in ewe flock from 400 to 800 ewes should increase the annual lamb sales to 1,224 feeders by year five, excluding the replacement breeding stock (144 ewe lambs) that are kept as replacement ewes. Annual feeder lamb sales with the expansion should increase to about $220,320 with total annual sales of $243,598 by year five. The annual profit will increase to about $37,813 (after wages paid) but will vary with the price of feeder lambs for the year. Net cash flow after the annual loan payments are made will be about $17,803 per year and should further increase when the loans are paid off.

BUSINESS OBJECTIVES

Explain the business mandate, short-term objectives and long-term objectives.

The mandate of XYZ Sheep Farms is to produce high quality feeder lambs that can be readily sold in the Canadian market.

The short-term objective is to produce 650 lambs per year available for sale (1.63 lambs/per ewe) that weigh between 70 and 80 lb. every fall and generate between $100,000 and $110,000 in annual feeder lamb sales.

The long-term objectives are to increase productivity per ewe to 2.0 lambs produced per year, by year five. The ewe herd will double in size from 400 to 800 ewes over the next three years and will wean 1,440 lambs with 1,368 feeder lambs available for sale annually. A secondary long-term goal would be to feed out 20-30 per cent of the feeder lambs to full slaughter weight which is between 110 and 120 lb. Finishing lambs to slaughter weight will depend on feed availability, feed prices and economics of feeding out to heavier weights.

With expansion to 800 ewes the annual feeder lamb sales revenues will increase to between $220,000 and $230,000 with total farm revenue increasing to between $240,000 and $250,000 per year. Net profit before internal wages removed would be estimated between $70,000 and $80,000 with excess cash flow after loan payments and wages paid of between $15,000 and $20,000. Cash flow will improve as breeding ewe loans and other debt are paid down.

DESCRIPTION OF THE BUSINESS

General description of the business. The current state of the business (A), current production and financial information (B), and expansion proposal and financing. (C)

XYZ Sheep Farms is an agricultural livestock business that produces live feeder lambs for sale. The business operates on 320 acres of mixed farmland in southeast Saskatchewan. There are approximately 30 acres on the yard site with buildings. This includes fences, a barn for shelter and four wood grain bins. The barn for shelter is attached to the pens. There is a large area within the barn for sheep to move around plus six smaller pens for lambing and individual care of ewes as needed.

Current State of Business (A)

The current business produces feeder lambs for sale in Western Canada. The business currently has 400 ewes which are bred late fall and lamb between late March to early April of the following year. Ewes and rams are fed through the winter and into spring with rations consisting of mostly hay and barley. Sheep and lambs are fed in pens in the yard until the grass in the pasture is ready to be grazed. Typically, the sheep and lambs are put out into the pasture between late May and early June and will rotate between the four paddocks over the summer with time in each paddock dependent primarily on length of grass when the sheep move in and their daily consumption rate. The paddocks are all connected to the main penning and building site which holds their drinking water sourced from a deep well. The sheep are brought home at night and stay in the pens to provide additional protection against predators. The sheep flock has two guard dogs that stay with the flock 24/7 and help protect against predators such as coyotes. There is also one dog that helps move the sheep flock around when needed.

There are about 60 acres of tame pasture and 55 acres of natural grazing pasture which are divided into four paddocks where the sheep are rotated through the summer. There are about 175 acres of cultivated land which has 100 acres of tame hay production producing between 175 and 225 tonnes annually for winter feeding. There are 75 acres seeded annually into barley which is used for feeding the sheep and lambs. We do not have seeding or grain harvesting equipment, so barley is custom grown. Our cost of barley to the flock is primarily based on the annual custom costs of seeding and harvesting the crop. Annual hay production ranges from 1.75 to 2.25 tonnes per acre. Barley production ranges from 60 to 70 bushels per acre (average 4,875 bu.). Production

of both hay and barley currently meets the annual needs of the 400 head ewe operation, except during drought years.

My business partner and wife (Y) primarily tends to the sheep during the day while I have an off-farm job that pays for most of our living expenses. Annual labour requirements are about 1,000 to 1,100 hours per year total with on average two to three hours per day; primarily depending on time of year and duties required. Lambing, marketing and annual spring repairs on fences is when a more concentrated period of labor is required. Labour is shared between X and Y with Y doing mostly of the daily feeding and checking chores while X spends more time during lambing and marketing.

Current Production and Financial Information (B)

During lambing time in late March to early April ewes are kept in the yard (corrals) or in the barn if lambing and aided as needed. Rams are kept away in a separate pen during the lambing period. Ewes and rams are fed hay and barley over the lambing period.

Once the natural pasture is well established and has good spring growth in late May to early June the ewes with their lambs are put out in one of the fenced paddocks and rotated (four paddocks) throughout the summer and into fall. When the sheep are taken off pasture in the fall, they are again fed grain and hay. The lambs are sent to market as feeder lambs (70 – 80 lb.) in late September or early October. Shortly after, the ewes are flushed (provided with increased nutrition) in preparation for breeding with the rams.

Annual lamb production available for sale over the last three years has ranged between 631 and 650 lambs with 72 lambs kept back annually as breeding stock replacements. Annual feeder lamb sales over the last three years have ranged from 561 to 578 head with revenue ranging from $99,878 to $122,971. Net profit before salary and income taxes ranged from positive $9,455 to $31,080 over the period from 2021 to 2023. Net cashflow after salaries and loan payments made ranged from positive $11,126 in 2021 to negative $13,008 in 2023. A big decline in feeder prices in 2023, combined with higher feed costs with drier conditions, were the primary reason for lower returns in 2023.

Expansion and Financing Proposal (C)

The plan is to take the existing sheep operation and expand from 400 hundred ewes to 800 ewes within three years, which is 2026. Existing genetics on the farm will be used to expand the herd. The goal is to make the farm more profitable at which point either my son (Z) will join the operation or I (X Sheepfield) will retire from my town job and farm full time.

While the current production of hay and grain produced on the farm enables the operation to be self-sufficient overall in feeding the current 400 ewe operation; expanding the ewe herd will require some feed to be purchased.

In 2024, the 75 acres of grain production land will be seeded to hay with barley as the cover crop. In 2025, the natural pasture (55 acres) with two paddocks will be seeded to a tame hay mixture with barley as the cover crop again. This will help improve pasture hay and grass production. Increased hay production from the added acres seeded will enable the farm to be self-sufficient in hay production. The sheep farm will look at purchasing feed grains off farm in the future and focus more on improving both pasture production and hay field production. Feed grains will be purchased as needed and will vary with availability and best value at the time. The conversion to hay land will remove the need for custom grain farming.

The expansion proposal will involve holding back an additional 200 ewe lambs from the current operation in the fall of 2024 and an additional 200 ewe lambs in the fall of 2025. The ewe lambs held back will be financed through the breeding herd program and repaid annually with the first payment one year after the initial loan is taken out. Starting loan balance in year one based on a ewe value of $300 per head is $60,000. In year two, the second inventory loan for keeping 200 ewe lambs back will add a second $60,000 loan and be repaid over five-years also.

INDUSTRY AND MARKET ANALYSIS

Brief overview of the industry (A), short and long-term industry trends (B), size of market (C), key factors affecting consumers, domestic or foreign (exports). Who are your competitors?

Industry Overview (A)

The Saskatchewan sheep industry has 10 per cent of the Canadian herd. Most Saskatchewan sheep producers breed ewes and produce lambs for sale. Traditionally lambs are sold either as feeder lambs in earlier fall or market/slaughter weight lambs in late November or December.

Traditional lamb production breeds ewes in the fall with lambs born in the spring and produce between one to two lambs per ewe for sale every year. Ewes and lambs have typically been put to pasture over the summer months to graze and grow.

Some Saskatchewan sheep producers are moving away from the traditional breeding and lambing periods and are breeding/lambing over multiple periods over the year to spread the workload and achieve different marketing periods. Some producers are pushing production cycles to get three lamb crops over a two-year period with ewes lambing every eight months.

Short-and-Long Term Industry Trends (B)

The following is based on current industry trends in Saskatchewan at the time of publication.

More prolific ewe breeds are being incorporated in some of the newer or revamped ewe flocks which significantly help to improve productivity. Also, there are some ewe flocks changing from breeding ewes once annually to breeding ewes every eight months. This increases the lambing of ewes to three times in two years from the traditional once per year. There are also some producers trying to breed a portion of their ewes every month which then produces a set number of ewes lambing every month with lambs born every month. More indoor facilities are required for these types of operations with lambing throughout the winter months. With higher productive breeds emerging and new lambing systems adopted (every eight months) lambs produced per year per ewe can increase to three to four in a higher intensive operation. While input costs would increase significantly, potential revenues can also increase significantly. The current short-term trend is for more intensive lamb production.

While most of the Saskatchewan lamb production has traditionally focused on spring lambing with feeder sales in early fall, more producers are starting to feed their lambs to slaughter market weight (110+ lb.). This can significantly increase farm revenues and potential profits. Depending on the condition of the lambs and type of breed, growing time based on average daily gain to finish lambs will be different, along with the cost of gain.

Lamb prices have been mixed and volatile over the last few years with light weight feeder lamb prices between 2020 and 2022 mostly above long-term averages ($2.20-$2.30/lb.). Prices reached highs of about $3.70/lb. early in 2021. Prices weakened in the last half of 2023 with reduced feeder demand and drought conditions in Western Canada. Heavy weight lamb prices have also been variable over the last year with prices mostly below long-term averages ($2.00-$2.10/lb.) with prices last peaking around $3.00/lb. early in 2021.

Size of Market (C)

The market for feeder lambs and slaughter weight lambs in Western Canada is small compared to other livestock production (cattle and hogs). Saskatchewan annually produces between 80,000 and 85,000 lambs for sale plus 11,000 culled sheep for slaughter. Saskatchewan only slaughters about 600 lambs per year (in Saskatchewan facilities) with the remaining lambs and sheep going to Alberta and Ontario for slaughter. Westfine Meats is the main federal lamb slaughter plant in Western Canada and located in Innisfail, Alberta.

Lamb production in Canada is one of the only meats where imports are required to meet domestic demand. Canada only produces about 40 per cent of the lamb meat that is consumed in Canada. With traditional lamb production produced annually in Canada there tends to be months with little domestic lamb product available which can make lamb meat unavailable at stores for consumers unless it gets sourced from other countries. Lamb from Australia has come into Canada

the last few years. Lamb producers would also be competing in the overall meat market selling their product to consumers that also potentially consume beef, pork and chicken. While there is competition on a meat protein basis, lamb and mutton are unique products that many who already consume will likely continue unless major changes to other meat prices.

Key Factors Affecting Consumer Demand (D)

With Canadian lamb production mostly cyclical throughout the year the lamb products available can vary from type (meat cuts), source (country) and production systems (grass versus grain). This can have a tremendous difference on the taste of lamb products and the ability to maintain customers. Lack of cooking experience with lamb can also be an issue as the meat can easily be overcooked and cause the taste to be altered. The industry is currently trying to better synchronize production with demand to provide a more consistent product for consumers.

Canadian consumption of lamb on a per capita basis is low relative to other meats but should have significant upside potential compared to other meats. With the rise in beef prices over the last two years (relative to lamb meat) we could expect increased demand opportunities for lamb. Lamb meat also has more demand from various ethnic groups that prefer lamb and mutton compared to pork and beef for religious reasons. This population is growing in Canada with growing immigration the last few years which should continue to fuel increased demand.

Key Competitors, their strengths, industry barriers, indirect competition (E).

The sheep industry has many advantages compared to other industries such as the cattle or hog industry. Sheep and lambs can eat a variety of low-quality feed and roughages that other livestock cannot consume. With rapidly increasing methods of production and more prolific breeds being purchased, the productivity and profitability of the sheep industry relative to other livestock industries should widen in the near term.

Sheep production is one of the livestock industries with lower capital requirements and operating costs. While sheep production can be primarily outdoors, shelters for very cold days and a warm spot for lambing are recommended. The smaller size of sheep relative to cattle should help reduce the shelter requirements versus cattle. Wool coats on sheep reduce the need for heated buildings compared to commercial hog production that requires domestic pigs to be primarily produced indoors.

THE MARKETING PLAN

Things to consider in this section include product or commodity, existing markets and players, prices, etc.

Feeder lambs (70-80 lb.) are considered a commodity product that are sold to feedlot buyers to be finished to slaughter market weight (110+ lb.). There are a growing number of buyers wanting to finish lambs in Western Canada. While there are primarily half a dozen main feedlot buyers this number has grown likely to 10. Ontario has a larger feeding industry with about six to eight currently buying feeder lambs from the West. Feeder sheep can be sold directly to feedlots, through sellers (such as the Saskatchewan Sheep Board) and through auction marts. There usually is enough competition between players and markets that provide good demand and decent prices for feeder lambs. While feeder lambs are considered a commodity product: there are different breeds, different production systems, types of sheep producers (quality) and type of sheep (hair vs. wool) that can often change the price noticeably. Feedlots that have some history with specific producer feeder lambs from previous years may pay more for good growing characteristics and less for poorer characteristics. Most of Saskatchewan feeder lambs are currently sent to Alberta or Ontario to be finished and then sent to the slaughter plant.

Saskatchewan market weight lambs (110+ lb.) primarily end up in Alberta (Innisfail) or Ontario for slaughter and then transported to various retail stores in Canada for sale. Higher feed prices over the last year (early-to-mid 2023) had reduced the demand to purchase and finish feeder lambs for resale. With little fixed contracts available for slaughter weight lambs at the time; market price volatility weighed on demand to buy feeder lambs for resale into the slaughter market.
The farm marketing plan for XYZ Sheep Farms is to sell mostly through the Saskatchewan Sheep Development Board but also sell some lambs directly to a feedlot to confirm where receiving higher prices. On a year where fall demand and feeder lamb prices are weaker, and feed available, the farm will finish some feeders out (110+ lb.) to hopefully spread selling and price risk and increase overall revenues and cash flow.

Market prices were weaker in the last half of 2023, with prices initially showing weakness in the spring and summer of 2023. Continued drought in many areas of the province forced some producers to sell light weight lambs onto the market in July and August (2023) causing prices to trend lower. Grain prices continued to be high over the summer as new crop yields were still in question. However, with lamb supplies currently in shorter supply early in 2024 and feeder demand improving with declining feed prices, the value of feeder lambs should move higher.

THE PRODUCTION PLAN

Things to consider include targets, capacity, quality control, life of assets used, raw materials, process flow.

The production plan is to grow the sheep operation from 400 ewes to 800 ewes and increase annual feeder lamb marketing numbers from 578 head to 1,224 head per year.

The larger operation will now require over 400 tonnes of hay to feed sheep and lambs annually. Land seeded to hay will total 175 acres and produce an estimated 350 tonnes of hay on average annually. This is an estimated 80 per cent of the total annual hay requirements. Additional land for haying will be rented or hay purchased if found at reasonable prices and locally. Annual barley requirements are estimated at about 5,000 bushels per year which will be purchased from a local producer. Other feedstuffs such as feed wheat or corn will be considered when the price of barley is significantly higher than other useable feed grains.

Once the new pastures and hay land are seeded in 2024 and 2025, we expect no forage land changes will be needed for at least five years. The fencing and sheep shelter are in good condition and should last another 10 to 15 years without any major work. We expect some minor repairs annually to the fences and perhaps the shelter. The tractor and bailer are just over 10 years old but should easily last five to 10 years with minor annual maintenance costs. Based on the current fencing size and shelter buildings, the maximum capacity with the current system of spring lambing/fall sales is estimated to be about 900 head of ewes raised at one time.

MANAGEMENT AND PERSONNEL

Skills, Expertise

Farmer X and Y are both well trained in breeding, lambing, vaccinating, feeding and the health monitoring side of the operation. Son Z is now 15 years old and taking an interest in sheep farming. He is slowly being trained in all aspects of lamb production and will soon be able to monitor the flock on his own for day-to-day feeding.

Farmer X and Y have both taken several sheep production courses put on by the Saskatchewan Sheep Development Board. Getting Started in Sheep and Advanced Sheep Production are two courses that they have taken here in Saskatchewan.

COMMUNITY AND ENVIRONMENTAL PLAN

Public and Surroundings

The sheep operation is located 15 miles north of town on lightly rolling land with small amounts of brush which helps reduce the wind and acts as a shelterbelt. The surrounding area has low animal populations with not much livestock or wild animals (predators). With no water streams, rivers or lakes nearby the risk of newer predators entering the area is likely lower.

With a large part of feeding via pasture grazing plus some corral feeding we do not anticipate any difficulty in public perception with expanding the operation to 800 ewes. The nearest neighbours are two miles away. The operation should not pose any environmental issues. We will be consulting with environmental engineers and the Saskatchewan Ministry of Agriculture to ensure no special plan is needed for removing the manure in the yard site or corral.

THE FINANCIAL PLAN

Financing requirements; projected annual income statements (5 years), projected balance sheets (5 years), break-even analysis, sensitivity analysis, listing of capital equipment and livestock inventory.

The business “XYZ Sheep Farms” is 100 per cent owned by my business partner (Y) and I (X). The equity in the current 400 ewe herd will be used as security to help fund the additional breeding herd being developed. Funding required will be two separate loans with loan #1 ($60,000) at the end of year one (2024), and loan #2 ($60,000) at the end of year two. Loan repayment is paid once per year starting one year from the new loan.

Projected Income Statements

Total annual farm revenues with the expansion are estimated to increase to $243,598 with net income by year five rising to $37,813, which includs $38,535 in farm salaries. Net cash flow after loan payments made including wages paid in year five is projected at $17,803. Cash flow should further increase as debt levels are reduced with annual loan payments in the future.

Break-Even Analysis

The break-even analysis indicates that once in full production with 1,368 lambs produced and available for sale (year five) the operation will have a variable cost break-even of about $141 per feeder lamb ($1.76/lb.) and total cost (variable and fixed) break-even of $150 per feeder lamb ($1.88/lb.). Based on the depreciation and loan payments in year five the total cash flow requirements of the operation are estimated at $165 per feeder lamb ($2.06/lb.) which is higher than the total break-even costs.

Projected Balance Sheet

The expansion proposal will involve holding back 200 ewe lambs from the current operation in 2024 and an additional 200 ewe lambs in 2025. The ewe lambs held back will be financed through the breeding herd program and repaid annually with the first payment one year after the initial loan is taken out. Starting loan balance in year one based on a ewe value of $300 per head is $60,000. In year two, the second inventory loan will add another $60,000 to be repaid over five-years.

The projected balance sheet shows the changes in assets from year one (2024) to year five (2028) and shows a trend of improving equity; both from increased breeding stock and cash on hand. The operation continues to maintain a strong equity position with improving productivity and cashflows.

Sensitivity Analysis

The top factors affecting sensitivity analysis for the ewe-lambing operation are lamb prices, lambing rate (productivity), and feed prices (grain and hay).

A 10-cent decline (4.4 per cent) in lamb price (from base $2.25 to $2.15 per lb.) would reduce profit by $7.16 per lamb or almost 26 per cent. A larger 25-cent (11.1 per cent) reduction in market price would reduce net income by $17.89 per lamb or almost 65 per cent from base levels. On the other hand, a rising market lamb price from $2.25 to $2.40 per lb. (+$0.15) or 6.7 per cent would increase profit per lamb by $10.74 per lamb or almost 39 per cent.

A five per cent decline in the lambing rate (base 200 per cent, down to 190 per cent) would reduce profit per lamb marketed by $6.20 per lamb or about 35 per cent from the base number. A 10 per cent decline in the lambing rate (base 200 per cent down to 180) would reduce profit by $13.53 per lamb or 77 per cent. However, if the lambing rate increased by 10 per cent to 210 per cent, the profit per lamb would increase by $11.59 per lamb or almost 66 per cent.

The third sensitivity is the change in feed price for feed grains and hay. A 10 per cent increase in feed price could reduce profit by $6.35 per lamb or 23 per cent. A 20 per cent increase in feed prices would reduce profit by $12.69 per lamb or almost 46 per cent. However, if feed prices declined by five per cent the profit per lamb could increase $3.17/lamb or 11.5 per cent. If feed prices declined by 15 per cent profit per lamb would increase by $9.52/lamb or just over 34 per cent.

PLAN OF ACTION SCHEDULE

Major events and monthly achievements

The first step will be to plan the new pastures and hay fields which will be seeded in May 2024. Fencing will then be purchased in June and completed by the end of July 2024. In early September, 272 ewe lambs will be selected from the herd and kept back for breeding purposes. In the next fall, 278 ewe lambs will be kept back for breeding purposes.

RISK ASSESSMENT

Internal and external risks of the business and how the business minimizes the potential impact of these risks? What plans have you made if the problem does materialize?

Internal risks of the business would include animal disease (health), breeding issues (productivity), growth rates (feed/feeding issues) and predator issues.

a) The operation has a veterinarian that will work with the flock to monitor flock health and watch for potential diseases. Ewes will be pregnancy checked to confirm ewes/lamb ewes are being bred with minimum issues.
b) Feed will be tested for protein levels before purchased. Feed will also be tested for contamination issues such as ergot. With bulk of the barley purchased from the neighbours it will be easier to get samples and test before purchasing. High quality feed will be primarily used to ensure good growth rates in lambs and pregnancy in ewes/ewe lambs.
c) Predator issues will be monitored. Guardian dogs will be used with sheep during the day while they are grazing in the field. Predator issues will also be reduced by bringing sheep back to the fully fenced yard site for nights with partial electric fences on the outside of pens.

External risks of the business will include changes to market lamb prices and higher feed prices.

a) Market lamb price trends will be followed on a weekly basis and sales directed accordingly. Future contract prices will be followed and if available will be taken for a portion of annual sales where profit can be locked in.
b) Feed grain prices will be followed monthly but primarily purchased every fall (neighbours) and put in the four bins with at least six-month supply over winter on hand. On farm hay production should meet 80 per cent of farm needs, remaining purchased over the summer. Crop Insurance on forage will be taken annually to help the project with big shortfalls.
c) Potential value chain disruptions such as strikes and slaughter plant closures will be monitored closely with marketing plans prepared to be potentially altered. Likewise, any changes to animal movement due to animal diseases and export restrictions will be monitored.

SUPPORTING DOCUMENTS

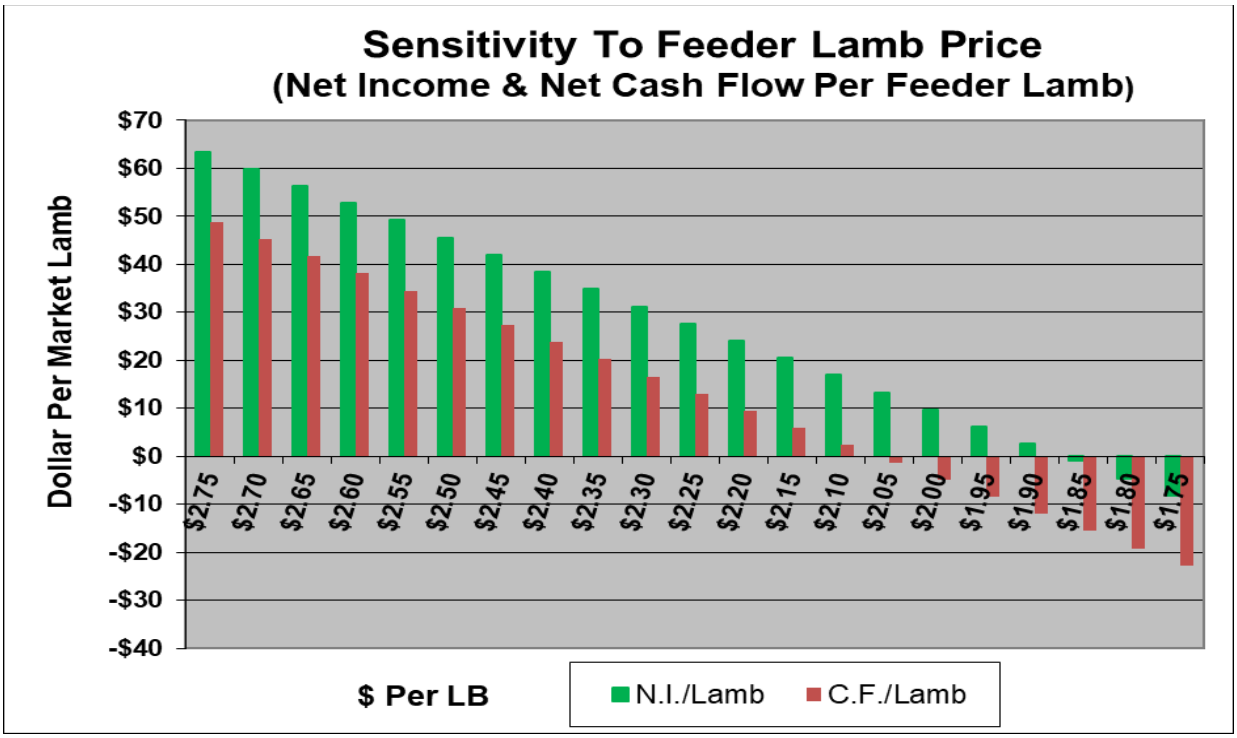
Lists, tables, and graphs that show operation numbers.

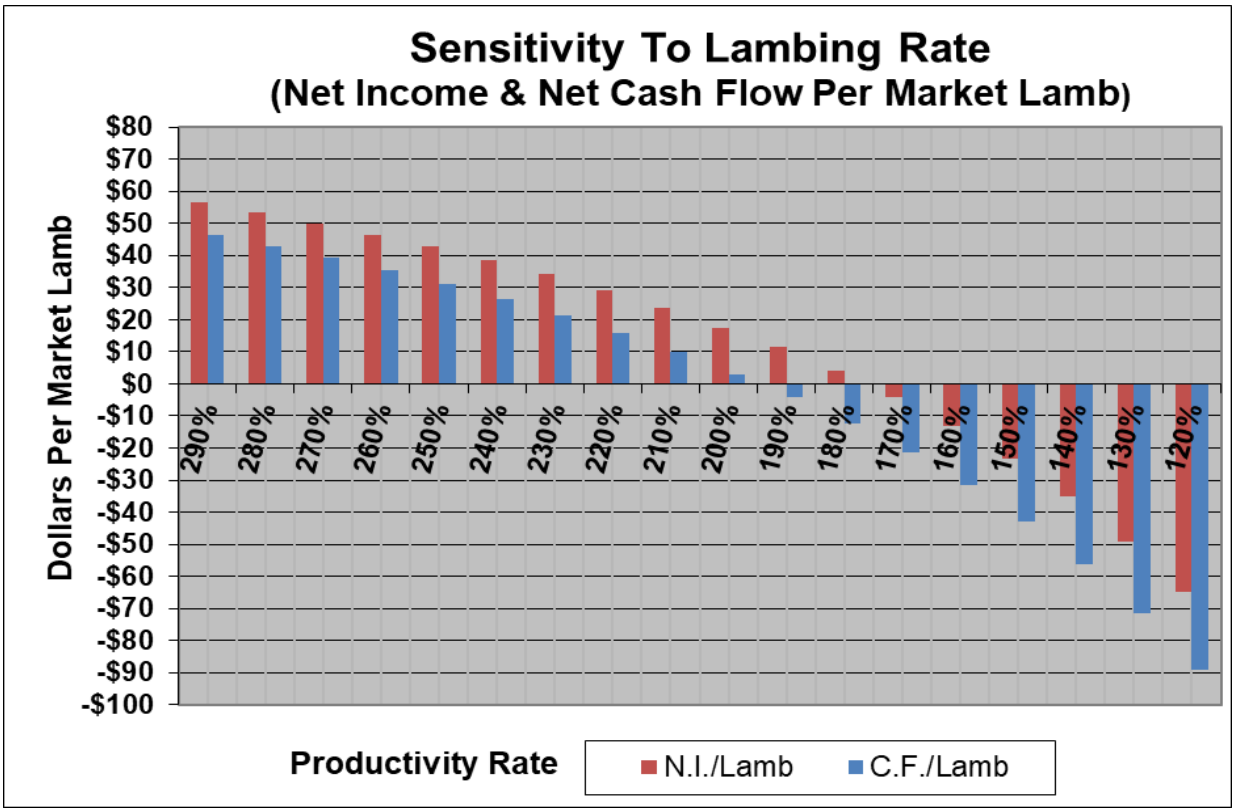
- Lamb, Sheep, and Feed Inventory
- Equipment Inventory
- Table – Saskatchewan Annual Lamb and Sheep Prices
- Projected Income and Expense Statement
- Projected Balance Sheet
- Break-Even Analysis
- Sensitivity Analysis

Farm Inventory Values and Balance Sheet as of May 15, 2024

Sheep	**Head**	**$/Head**	**Total Dollars**	**ASSETS**	**Dollars**
Ewes	400	$300	$120,000	Current Assets	$ 216,100
Rams	11	$600	$6,600	Equipment/Other	$ 50,000
Lambs	760	$100	$76,000	Long Term (Land)	$ 175,000
		Total	**$202,600**	**Total Assets**	**$ 441,100**
				LIABILITIES	**Dollars**
Feed	**Number**	**$/Unit**	**Total Dollars**	Current/Loan Pay.	$ 6,006
Barley	1,000 bu.	$5.50	$5,500	Equipment Loan	$ 15,000
Hay Bales	100 bales	$80.00	$8,000	Long Term (Land)	$ 53,053
		Total	**$13,500**	**Total Liabilities**	**$ 74,059**
Tot	**Current**	**Assets**	**$216,100**	**Net Equity**	**$ 367,041**

Name: 400 to 800 Head Ewe Operation	INCOME AND EXPENSE PROJECTIONS				
	2024E	2025E	2026E	2027E	2028E
REVENUE	**Total $**	**Total $**	**Total $**	**Total $**	**Total $**
Feeder Lamb Sales (under 90lbs)	$69,458	$117,619	$226,320	$220,320	$220,320
Slaughter Lamb Sales (90lbs+)	$0	$0	$0	$0	$0
Breeding Stock Sales	$0	$0	$0	$0	$0
Cull Ewe and Ram Sales	$12,516	$10,088	$13,300	$19,805	$19,993
Wool Sales	$1,644	$2,452	$3,267	$3,281	$3,285
Other Sales	$0	$0	$0	$0	$0
TOTAL REVENUE	**$83,617**	**$130,159**	**$242,887**	**$243,406**	**$243,598**
EXPENSES - VARIABLE COSTS					
Feed Grain/Pellets, Hay & Minerals	$60,883	$70,263	$84,645	$86,714	$86,803
Pasture and Grazing	$0	$0	$0	$0	$0
Breeding Stock Purchases & Supplies	$2,400	$3,600	$3,600	$2,400	$2,400
Veterinary Services and Medication	$5,787	$8,812	$11,954	$12,209	$12,456
Guardian and Herd Dog Costs	$2,700	$2,720	$2,740	$2,761	$2,782
Labour Costs	$22,120	$29,437	$37,038	$37,779	$38,535
Custom Work/Manure Removal Costs	$2,000	$2,500	$3,000	$3,500	$3,570
Fuel and Utility Costs	$3,000	$3,700	$4,400	$4,728	$4,823
Building and Equipment Repairs	$4,000	$4,440	$4,781	$4,972	$5,072
Marketing, Check-Off, & Transportation Costs	$7,158	$12,421	$21,693	$22,627	$22,932
Shearing and Wool Production Costs	$2,466	$3,678	$4,900	$4,921	$4,927
Accounting, Property Taxes, Licenses	$5,900	$6,018	$6,138	$6,261	$6,386
Insurance Costs	$1,259	$1,607	$1,960	$1,984	$1,999
Operating Interest Costs	$79	$0	$0	$0	$0
TOTAL VARIABLE COSTS	**$119,751**	**$149,196**	**$186,849**	**$190,855**	**$192,684**
Depreciation	$8,750	$8,063	$7,434	$6,860	$6,335
Long Term Interest	$4,614	$7,840	$9,805	$8,164	$6,765
TOTAL FIXED COSTS	**$13,364**	**$15,903**	**$17,240**	**$15,024**	**$13,100**
TOTAL COSTS	**$133,115**	**$165,099**	**$204,089**	**$205,880**	**$205,785**
NET INCOME, Before Taxes	**-$49,498**	**-$34,940**	**$38,798**	**$37,526**	**$37,813**
ACCRUED NET INCOME, Before Taxes	**$10,502**	**$26,272**	**$40,992**	**$39,626**	**$37,813**
	2024E	**2025E**	**2026E**	**2027E**	**2028E**
CASH FLOW, Before Taxes	**Total $**	**Total $**	**Total $**	**Total $**	**Total $**
NET INCOME, Before Taxes	**-$49,498**	**-$34,940**	**$38,798**	**$37,526**	**$37,813**
Plus Depreciation/Amortization	$8,750	$8,063	$7,434	$6,860	$6,335
Sheep Loan Advance	$60,000	$60,000	$0	$0	$0
Less Principal Payments	$6,006	$17,023	$28,917	$24,946	$26,345
Net Cash Flow, Before Taxes	**$13,246**	**$16,100**	**$17,316**	**$19,440**	**$17,803**


Sensitivity To Feeder Lamb Price
(Net Income & Net Cash Flow Per Feeder Lamb)
Dollar Per Market Lamb
$70
$60
$50
$40
$30
$20
$10
$0
-$10
-$20
-$30
-$40
$2.75
$2.70
$2.65
$2.60
$2.55
$2.50
$2.45
$2.40
$2.35
$2.30
$2.25
$2.20
$2.15
$2.10
$2.05
$2.00
$1.95
$1.90
$1.85
$1.80
$1.75
$ Per LB
N.I./Lamb
C.F./Lamb


Sensitivity To Lambing Rate
(Net Income & Net Cash Flow Per Market Lamb)
Dollars Per Market Lamb
$80
$70
$60
$50
$40
$30
$20
$10
$0
-$10
-$20
-$30
-$40
-$50
-$60
-$70
-$80
-$90
-$100
290%
280%
270%
260%
250%
240%
230%
220%
210%
200%
190%
180%
170%
160%
150%
140%
130%
120%
Productivity Rate
N.I./Lamb
C.F./Lamb