

# Money Management of Sheep Reared in Drylot - Confinement

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The North Dakota sheep industry is experiencing a transfusion of renewed interest and vigor. One of the new terms commonly heard in connection with this renewed interest is "drylot or confinement production". Established sheepmen, as well as newcomers, are seeking answers to the profitability of confinement rearing of sheep. The banking and financial community is now taking a long-awaited new look at the sheep industry as a viable livestock enterprise.

Foremost in the minds of most producers, as well as the financial institutions, considering this type of production are costs. Confinement sheep production creates increased investments which require maximization of all phases of production to insure reasonable profitability.

The following is a closer look at some of the investments and costs associated with confinement production. They are estimates and should be taken as such. Future changes in market values, material costs and interest will change the estimates. However, they should serve as relative starting points for producers interested in going into drylot or confinement rearing.

## Breeding Stock:

### BREEDING STOCK:

For many years, producers could buy good yearling ewes for the price of a choice 100 lb. market lamb. Not any more! Today, yearling ewes are bringing over \$100 and fat lambs are at \$65-70/hundred weight. From the standpoint of the sheep industry these high prices for ewes do have a positive effect in the commitment one must make to sheep. Now, a \$100 ewe represents more wealth, more security and greater borrowing power. Hopefully, this should result in better management and profit potential in the sheep industry.

Many producers ask the question, "Should I buy ewe lambs, yearlings or older ewes?" A number of short-term Western ewes have been brought into the state the past three years. The breeding of ewe lambs to lambs at 12-14 months of age is becoming more popular. A comparison of interest and depreciation costs of purchased ewes of different prices and ages is given in Table 1.

Table 1:

Comparison of Interest and Depreciation Costs of Purchased Ewes

	Ewe Lambs	Yrlgs	Mature Ewes (5-7 Year Olds)					
Cost/HD	\$95	\$115	\$50	\$50	\$60	\$60	\$70	\$70
Production Yrs.	7	6	2	3	2	3	2	3
Annual Interest Cost/Ewe	8.14	10.06	5.63	5.00	6.75	6.00	7.88	7.00
Annual Deprec. Cost/Ewe Plus Mortality	11.51	16.63	16.60	11.60	21.60	14.93	26.60	18.27
Total Annual Capital Costs/Ewe	19.65	26.69	22.23	16.60	28.35	20.93	34.48	25.27

Interest @ 15%

Mortality @ 4% annually for ewe lambs and yearlings, 8% for mature ewes

Slaughter ewe value of \$20/HD

Ewes normally are productive through seven years. Very few ewes remain productive after eight years. Interest and depreciation are calculated as if the loan was amortized, as most banks would expect. Mortality at 4% for ewe lambs means if you started with 100 ewe lambs, after seven years 72 would be left to sell for slaughter.

The data suggests that mature ewes are seldom worth more than 50% the value of yearlings ewes. In the case of purchased ewe lambs, they must be bred to lamb at 12 to 14 months of age to realize their advantage in lower annual capital costs.

**NON—FEED COSTS:**

**Non-Feed Costs:**

Confinement or drylot rearing of sheep creates increased building and equipment costs. Below are some estimated annual non-feed costs for a ewe:

Building (Deprec plus int.)	\$5.50
Equipment (Deprec plus int.)	3.50
Vet/medicine supplies	3.00
Ram costs	2.00
Shearing	1.25
Fuel, repairs, misc.	2.00
	<u>\$17.25</u>

Building costs are figured on an allowance of 20 sq ft/ewe at \$4/sq ft on a 20-year depreciation @ 10% interest. Equipment includes feed bunks, waters, pens, etc., with interest calculated @ 13% on a 10-year depreciation. Both values represent 2/3 of the total annual building and equipment costs. The other 1/3 should be charged against another unit utilizing the barn, such as purchased feeder lambs. These estimates are highly variable and can change according to building costs, material costs, labor and interest charges.

With inflated building and equipment expenses, these non-feed costs now represent more of the cost of pro-

duction than before. More importantly, these costs are independent of the level of production and are the same whether you raise a 100% lamb crop or a 150% lamb crop.

**FEED COSTS:**

**Feed Costs:**

Annual feed costs/ewe used to represent about 70-75% of the total cost per year. Now, with confinement or drylot, they represent about 60-65%. An estimated annual feed cost/ewe is:

1700 lbs. hay equivalent @ \$35/ton	\$29.75
100 lbs. grain @ 3.5/lb.	3.50
	<u>\$33.25</u>

The grain includes that required the last four weeks of gestation and approximately eight weeks of lactation.

By adding the annual non-feed and feed costs per ewe, it costs approximately \$50 to keep that ewe. This is independent of the cost of the ewe herself. The estimated feed costs for raising a lamb to market is approximately \$18-20.

**SUMMARY:**

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Looking at the increased costs involved with raising sheep in confinement, top management is a key to making it a profitable enterprise. Financial rewards from rearing sheep in drylot or confinement will not be realized by a producer weaning 100-130% lamb crop. Mediocre management that results in high mortality, inefficient production, high costs, and sub-par productivity per ewe will not pay the bills in confinement rearing.