BeefTalk: What Can Sheep Teach Cows?

The fundamental key to profit and loss, whether from cattle or sheep, is controlling costs.

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Diversity of livestock is a healthy approach to livestock production, just as the integration of different plants is a healthy approach to expanded cropping systems.

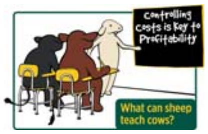
In the end, the soil benefits. When soil is healthy, living systems, including us, benefit.

Focusing on comingling livestock, this is a complex story, despite preconceived conclusions that the beef cow seems to have a pretty good handle on how to graze grass. Data has shown sheep can be added to the grasslands without significantly affecting the cattle stocking rate.

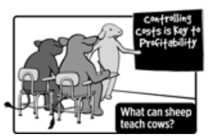
Dickinson Research Extension Center summer research intern Vladimir Kutka reviewed FINBIN (http://www.finbin.umn.edu/) data from 2010 to 2017 from the Center for Farm Financial Management, University of Minnesota. A review of 64 farm years for market lambs and 27 farm years for feeder lamb production involving Minnesota, North Dakota and South Dakota operations produced discussable points.

Kutka found lamb production, using standard marketing pipelines, is not very profitable. The top 40 percent of the sheep operations had positive net return columns, but being average in the sheep business does not work. During the same time period, 60 percent of the cow-calf operations had positive net return columns. Being average in the beef business does work.

Images



What can sheep teach cows? Controlling costs is key to profitability.



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That seems like a strange thing to say, but sheep operations were harder to develop and manage to produce a positive outcome than cattle. On a personal note, having been involved in both for my career, I would say that is true.

However, lest beef producers become slackers, below-average beef operations also have a negative net return. Opportunity for beef and sheep is best focused on achieving sustainable returns on investment, a challenge for all producers.

A sustainable return on investment starts with a positive net return. The high 20 percent of the sheep operations earned about $65 per ewe, while the high 20 percent of the beef operations were at $521 per cow. (You need eight sheep to offset a cow.)

But that is not what this conversation is about. Rather, it’s about how beef operations can diversify by adding sheep and adding more income.

Let’s go back to the start: What can sheep teach a cow? Surprisingly, production traits are similar between species when comparing high- and low-revenue operations. These production traits include slight advantages expressed in lower death loss, increased reproduction and subsequent lamb or calf weight weaned off per ewe or cow while feeding less for those operations with strong positive net returns. This makes sense.

The fundamental key to profit and loss, whether cattle or sheep, is controlling costs. No cattle or sheep operation can turn a blind eye to expenses. Also, two big challenges are keeping sheep where they need to be and protecting them from predators.

So where is the real money? The real money is not in the physical aspects of the business. In cattle and sheep enterprises, the price realized at auction was a major factor.

Marketing is huge. Beef producers in the top 20 percent received $335 per calf more than producers in the lower 20 percent. Sheep were the same. The top 20 percent of sheep producers received more in sales than the lower 20 percent by $43 per lamb sold in the feeder and market sectors.

As Kutka noted, unfortunately for those looking for a silver bullet to high performance, none of these factors alone made up the bulk of the profitability gap between the low versus top producers. Kutka notes that, as with any business, small improvements add up to large gains once multiplied throughout the enterprise. Those who manage the small simultaneously change the large, which is a principle that is true for cows and ewes.

Again, what can the ewe teach the cow? Getting back to marketing, when and how a producer markets is key. If a producer decides to add sheep to a cattle operation and assumes that the majority of overhead expenses still are embedded in the cow-calf enterprise, then how does a producer maximize the return by adding sheep?

The answer is the same for beef producers who have the opportunity to add more income to the beef enterprise: Maximize the weight of the product sold. And if needed, consider retaining ownership to harvest. Look at the average lamb operation that, during the last 10 years, lost money selling just a little more than 121-pound lambs.

What if those 121-pound lambs were processed and sold at retail? Now, rather than spending more time physically managing the sheep, implement a marketing program that takes the lambs through harvest.

What is that lamb worth? Why don’t you set $400 as a goal? So rather than selling for $179 per lamb, why not sell for $400? That adds another $221, minus an estimated $100 for processing, or $121 per lamb.

That is what sheep can teach cows. Do not underestimate the value of the retail product; lambs can be sold retail.

May you find all your ear tags.

For more information, contact your local NDSU Extension Service agent (https://www.ag.ndsu.edu/extension/directory) or Ringwall at the Dickinson Research Extension Center, 1041 State Ave., Dickinson, ND 58601; 701-456-1103; or kris.ringwall@ndsu.edu.

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Attachments

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(NDSU_Extension_BeefTalk_082318.pdf - 436.25 Kb)

EPS - color - What can sheep teach cows? Controlling costs is key to profitability.
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EPS - black - What can sheep teach cows? Controlling costs is key to profitability.
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