



## Gauging Sheep Profitability

The beginning of a new year is the right time to look at profitability from your sheep enterprise, says Dr. Larry Goelz of the Pipestone Veterinary Clinic. Begin by calculating expenses, so you won't be tempted to make changes that don't pay.

"Profit is simply revenue minus expenses," Dr. Goelz notes, "but if you do not account for all expenses your profit number is meaningless."

When figuring your expenses Dr. Goelz suggests you factor in these items:

- ✓ Feed you buy
- ✓ The value of feed you grow yourself or the value of your pasture
- ✓ Equipment purchases and repairs
- ✓ Veterinary supplies and the cost of other supplies—pasture spray, for instance
- ✓ Labor costs
- ✓ A depreciation rate or the local going rate for renting buildings like yours

What's the reason for that last item? If you weren't using your buildings for sheep you'd be putting them to another use, Dr. Goelz points out, so there's a hidden value there.

Now compare profits from lambs, wool, and culls to the total of your yearly costs. With your profit number in front of you, you're equipped to decide whether you can trim expenses without lowering revenue...or expand your sheep enterprise without hurting profits.